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Deputy Premier of Saskatchewan  
Minister of Finance



SASKATCHEWAN BUDGET UPDATE

**20-21**

**MID-YEAR REPORT**

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## 2020-21 MID-YEAR REPORT

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## INTRODUCTION

Saskatchewan, similar to most jurisdictions around the world, saw its economy rebound over the summer months as public health measures succeeded in limiting the impact of the coronavirus. Federal and provincial support measures, including provincial capital stimulus, also played a key role in setting the stage for economic recovery.

Saskatchewan's unemployment rate in October was the lowest in Canada. Employment has rebounded sharply after an unprecedented decline earlier this year and total employment in October was only slightly lower than pre-pandemic levels.

In addition, several economic indicators have performed better than expected in 2020. Retail sales, new housing starts and international goods exports have exceeded expectations and have contributed to an improved economic outlook.

Overall, real GDP is now forecast to decline by 5.0 per cent in 2020, an improvement from the budget forecast of a 6.3 per cent decline. The outlook for next year remains positive. Real GDP is forecast to increase by 3.4 per cent in 2021.

The financial outlook has also improved at mid-year. A deficit of \$2.0 billion is now forecast, an \$86 million improvement from first quarter and a total

improvement of \$382 million from budget. The mid-year update includes the impact of Government's election platform commitments, estimated at \$133 million, and \$260 million of contingencies to cushion against potential pandemic-related revenue and spending shocks over the remainder of the fiscal year.

Revenue is projected at \$14.2 billion at mid-year, a \$504 million increase from budget. The increase is largely due to higher federal transfers and Government Business Enterprise net income. Tax revenue is \$41 million lower than the budget estimate and reflects Government's commitment to reduce the small business Corporate Income Tax rate, effective October 1, 2020. A new, \$100 million revenue forecast risk allowance is incorporated into the mid-year update as a measure of prudence.

Expense is now projected at \$16.2 billion. This is \$122 million higher than budget and includes increases for the health, education, municipal and tourism sectors. Government's election commitments related to SaskPower utility bill relief, lower seniors' ambulance fees and funding for community rinks are also included. These increases are partially offset by lower-than-budgeted crop insurance claims expense and pension expense. A \$160 million expense contingency remains in place at mid-year.

Public debt is projected at \$23.8 billion at mid-year, a \$541 million decrease from budget. Saskatchewan's net debt-to-GDP ratio on March 31, 2021 is estimated at 19.6 per cent and is expected to be one of the lowest among Canadian provinces this year.

Beyond this year, there is no material change to the medium-term outlook presented in the first quarter update in August. This year's improvement is largely due to one-time items, specifically federal safe restart funding and lower-than-budgeted crop insurance indemnities. These items improve Saskatchewan's financial health and provide greater flexibility going forward, but they are treated as one-time gains in

the fiscal outlook. Saskatchewan's planned return to balance in 2024-25 remains unchanged.

The COVID-19 pandemic continues to weigh heavily on the economic and fiscal outlook for governments around the world. The recent resurgence of the virus and stricter public health measures threaten the current pace of global recovery, and the longer-term impacts of the pandemic – social, health and economic – are still unfolding. Nevertheless, Saskatchewan remains well positioned to respond to the challenge given its strong fiscal foundation.

## 2020-21 ECONOMIC AND FISCAL OVERVIEW

| <i>(Millions of Dollars)</i> | Budget         | First Quarter Forecast | Mid-Year Projection | Change From |               |
|------------------------------|----------------|------------------------|---------------------|-------------|---------------|
|                              |                |                        |                     | Budget      | First Quarter |
| Revenue                      | 13,649         | 14,047                 | <b>14,152</b>       | 504         | 105           |
| Expense                      | 16,075         | 16,177                 | <b>16,197</b>       | 122         | 19            |
| <b>Deficit</b>               | <b>(2,426)</b> | <b>(2,130)</b>         | <b>(2,045)</b>      | <b>382</b>  | <b>86</b>     |
| <u>Debt</u>                  |                |                        |                     |             |               |
| Public Debt (\$M)            | 24,369         | 23,914                 | <b>23,828</b>       | (541)       | (86)          |
| Net Debt (\$M)               | 15,122         | 14,827                 | <b>14,763</b>       | (359)       | (64)          |
| Net Debt as % of GDP         | 20.8           | 19.7                   | <b>19.6</b>         | (1.2)       | (0.1)         |
| <u>Economic Forecast</u>     |                |                        |                     |             |               |
| Real GDP growth (%)          | (6.3)          | (5.5)                  | <b>(5.0)</b>        | 1.3         | 0.5           |
| Nominal GDP growth (%)       | (12.8)         | (9.8)                  | <b>(9.3)</b>        | 3.5         | 0.5           |

*Totals may not add due to rounding.*

## OVERVIEW

The Saskatchewan economy has performed better than originally anticipated in the Province's June 2020 budget. Total employment, on an unadjusted basis, is nearing pre-pandemic levels while the province's unemployment rate is one of the lowest in Canada.

In addition, farm and intermediate food product shipments outside of Canada are up 29.5 per cent year-to-date. Because of this, Saskatchewan is one of only two provinces to see an increase in overall international goods exports so far this year.

Still, considerable uncertainty remains as daily COVID-19 numbers are rising again in much of the world, including Canada. Continued recovery will depend very much on the path of the pandemic.

Saskatchewan real GDP is currently forecast to decline by 5.0 per cent in 2020.

In 2021, real GDP is forecast to rise 3.4 per cent.

## EXTERNAL CONDITIONS

Economies around the world have rebounded sharply from where they were earlier in the year shortly after the onset of the pandemic. Unprecedented fiscal and monetary support has played a key role, however ongoing recovery depends on how well the virus can be contained. We are still seeing significant spread in some parts of the world.

In the U.S., growth is expected to slow markedly in the fourth quarter of 2020, in part due to rising numbers of COVID-19 cases and the expiration of some fiscal support measures.

U.S. real GDP is expected to decline by 4.0 per cent overall in 2020. A rebound of 3.5 per cent is anticipated for 2021.

## CANADA AND U.S. ECONOMIC ASSUMPTIONS

|                                      | Actual | 2020-21 First Quarter |       |       | 2020-21 Mid-Year |       |       |
|--------------------------------------|--------|-----------------------|-------|-------|------------------|-------|-------|
|                                      | 2019   | 2020                  | 2021  | 2022  | 2020             | 2021  | 2022  |
| Canadian real GDP growth, %          | 1.9    | (7.8)                 | 3.9   | 4.8   | (6.4)            | 4.3   | 3.7   |
| U.S. real GDP growth, %              | 2.2    | (8.1)                 | 5.2   | 4.7   | (4.0)            | 3.5   | 3.6   |
| Canadian short-term interest rate, % | 1.65   | 0.47                  | 0.25  | 0.28  | 0.44             | 0.19  | 0.22  |
| 10-yr Government of Canada bond, %   | 1.58   | 0.79                  | 0.71  | 0.85  | 0.69             | 0.76  | 1.06  |
| Canadian dollar, US cents            | 75.37  | 73.06                 | 73.25 | 74.52 | 74.30            | 76.20 | 77.50 |

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

In Canada, following declines of 7.3 per cent and 11.6 per cent in March and April, respectively, economic activity rebounded sharply. While growth slowed in July and August, about 75 per cent of the loss in output earlier this year has now been recovered.

Canadian real GDP is currently anticipated to contract by 6.4 per cent this year. This represents an improvement from first quarter. In 2021, growth of 4.3 per cent is expected.

### CANADIAN REAL GDP, MONTHLY (seasonally adjusted at annual rates)



Source: Statistics Canada.

### SASKATCHEWAN ECONOMIC PERFORMANCE AND OUTLOOK

The Saskatchewan economy has been affected by both virus containment measures and the fall in oil prices.

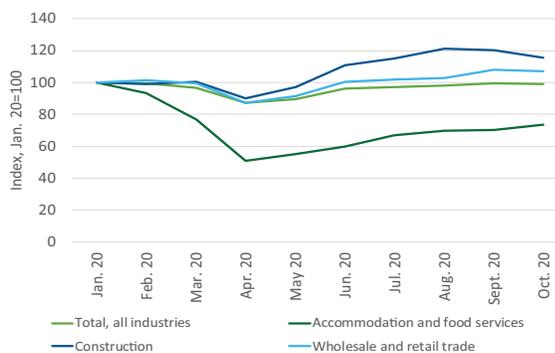
Job losses earlier in the year were unprecedented. Total employment fell by approximately 71,000 over just a two-month period.

However, in May, employment rebounded as re-opening began. As of October, total employment in Saskatchewan was slightly lower than January figures, and Saskatchewan's employment rate was the highest in Canada.

Still, the employment recovery has been uneven across industries. In accommodation and food services, for example, employment in October was still well below pre-pandemic levels, according to Statistics Canada's

latest jobs report. Employment in construction and wholesale and retail trade, however, rebounded relatively quickly following the shutdowns earlier this year.

### SASKATCHEWAN EMPLOYMENT RECOVERY



Source: Statistics Canada and Ministry of Finance Calculations.

The oil sector was impacted particularly hard earlier this year when oil prices fell in response to a worsening global demand outlook. Investment plans have been revised and continue to be re-evaluated. Year-to-date, drilling in the province is down 43.0 per cent while oil production is down 9.5 per cent.

Furthermore, crop production in Saskatchewan this year declined by roughly 3.5 per cent, based on the latest Statistics Canada estimates.

Some economic indicators in 2020 have trended upwards. Housing starts are up 30.2 per cent, by far the largest percentage increase among provinces, while international goods exports are up 1.7 per cent, owing to a surge in farm and intermediate food product shipments. Saskatchewan is one of just two provinces to show positive growth in international goods exports so far this year. Further, although retail sales are down 3.3 per cent through the first eight months of the year, this is better than expected at first quarter. Finally, potash production is anticipated to increase 5.4 per cent.

**SASKATCHEWAN 2020 YEAR-TO-DATE (YTD) ECONOMIC INDICATORS<sup>1</sup>**  
(per cent change from same period last year)

|                                                           | SK    | SK Ranking Among Provinces | CAN   |
|-----------------------------------------------------------|-------|----------------------------|-------|
| Employment (Oct.)                                         | -5.1  | 4                          | -5.7  |
| Unemployment rate (Oct.)                                  | 8.6   | 9                          | 9.8   |
| Employment rate (Oct.)                                    | 61.6  | 1                          | 57.7  |
| Average weekly earnings (Aug.)                            | 5.5   | 7                          | 7.0   |
| Retail sales (Aug.)                                       | -3.3  | 6                          | -5.4  |
| Wholesale trade (Aug.)                                    | -1.5  | 4                          | -4.4  |
| New motor vehicle sales (Sept.)                           | -20.2 | 3                          | -25.0 |
| Sales in food services and drinking places (Aug.)         | -19.2 | 1                          | -28.1 |
| Manufacturing sales (Sept.)                               | -16.5 | 8                          | -13.5 |
| International goods exports (Sept.)                       | 1.7   | 2                          | -14.6 |
| Building permits (Sept.)                                  | -23.3 | 10                         | -5.1  |
| Housing starts (3rd quarter)                              | 30.2  | 1                          | -0.9  |
| Total invest. in building construction, all types (Sept.) | -20.5 | 10                         | -3.4  |
| Residential                                               | -22.8 | 10                         | -5.5  |
| Non-residential                                           | -17.0 | 9                          | 1.1   |

<sup>1</sup> For unemployment rate and employment rate, figures represent YTD average. All other figures represent per cent change from YTD value [or YTD average, in the case of employment] in 2019 to YTD value [or average] in 2020.

Source: Statistics Canada.

Overall, Saskatchewan real GDP is forecast to decline 5.0 per cent in 2020 while nominal GDP is projected to fall 9.3 per cent. This represents a slight improvement from the outlook at first quarter.

For 2021, the outlook remains positive, assuming the virus is contained and no further significant disruptions occur that might prolong the economic recovery.

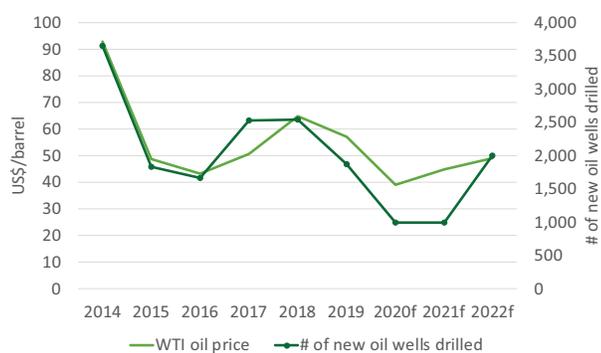
**SASKATCHEWAN FORECAST AT A GLANCE**  
(per cent change unless otherwise noted)

|                         | Actual 2019 | 2020-21 First Quarter |      |      | 2020-21 Mid-Year |      |      |
|-------------------------|-------------|-----------------------|------|------|------------------|------|------|
|                         |             | 2020                  | 2021 | 2022 | 2020             | 2021 | 2022 |
| Real GDP                | (0.7)       | (5.5)                 | 4.6  | 2.6  | (5.0)            | 3.4  | 2.7  |
| Nominal GDP             | 0.1         | (9.8)                 | 7.2  | 5.3  | (9.3)            | 6.0  | 5.3  |
| CPI                     | 1.7         | 1.0                   | 1.5  | 2.2  | 0.6              | 1.5  | 1.6  |
| Employment growth, 000s | 10.4        | (24.9)                | 13.6 | 6.4  | (26.2)           | 14.7 | 6.2  |
| Unemployment rate, %    | 5.4         | 8.9                   | 7.4  | 6.8  | 8.5              | 7.1  | 6.7  |
| Retail sales            | 0.3         | (9.0)                 | 3.3  | 4.3  | (2.9)            | 3.6  | 3.3  |

Sources: Statistics Canada and Ministry of Finance.

The growth forecast for next year has been revised down from first quarter due to lower expectations for oil production and investment. Drilling activity is now expected to remain relatively flat next year at 1,000 new oil wells while oil production is anticipated to fall 2.9 per cent to 157 million barrels.

### WTI OIL PRICE AND SASKATCHEWAN OIL INVESTMENT



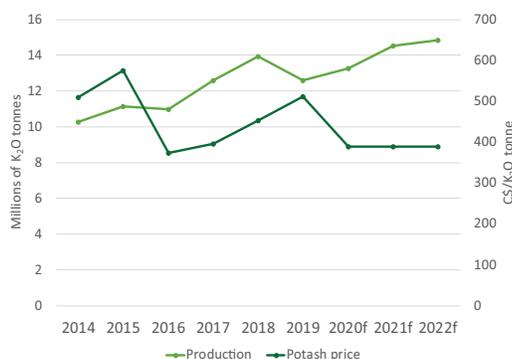
Source: Ministry of Energy and Resources.

Potash production is expected to increase a further 9.4 per cent to 14.5 million K<sub>2</sub>O tonnes in 2021, though prices are forecast to remain relatively stable over the near-term.

The restart of the Cigar Lake uranium mine in northern Saskatchewan in September of this year, following a five-month production suspension due to COVID-19, results in a significant increase in production in 2021.

Overall, real GDP is forecast to improve 3.4 per cent in 2021 while nominal GDP is expected to rise 6.0 per cent.

### POTASH PRICE AND SASKATCHEWAN PRODUCTION



Source: Ministry of Energy and Resources.

### COMMODITY PRICE ASSUMPTIONS CALENDAR YEAR

|                                                     | Actual 2019 | 2020-21 First Quarter |        |        | 2020-21 Mid-Year |        |        |
|-----------------------------------------------------|-------------|-----------------------|--------|--------|------------------|--------|--------|
|                                                     |             | 2020                  | 2021   | 2022   | 2020             | 2021   | 2022   |
| WTI oil, US\$ per barrel                            | 57.04       | 38.00                 | 44.00  | 49.00  | 39.00            | 45.00  | 49.00  |
| Average well-head price, C\$ per barrel             | 57.92       | 32.88                 | 40.60  | 47.02  | 34.48            | 41.09  | 45.08  |
| Natural gas, C\$ per GJ                             | 1.64        | 2.05                  | 2.40   | 2.45   | 2.25             | 2.80   | 2.80   |
| Potash, C\$ per K <sub>2</sub> O tonne <sup>1</sup> | 511.03      | 402.39                | 410.51 | 410.13 | 389.51           | 388.20 | 388.14 |
| Potash, US\$ per KCl tonne <sup>1</sup>             | 234.95      | 179.43                | 183.30 | 186.38 | 176.54           | 180.44 | 183.49 |

<sup>1</sup> The potash industry quotes prices in US dollars per KCl tonne. However, provincial royalty calculations are based on the Canadian dollar price per K<sub>2</sub>O tonne.

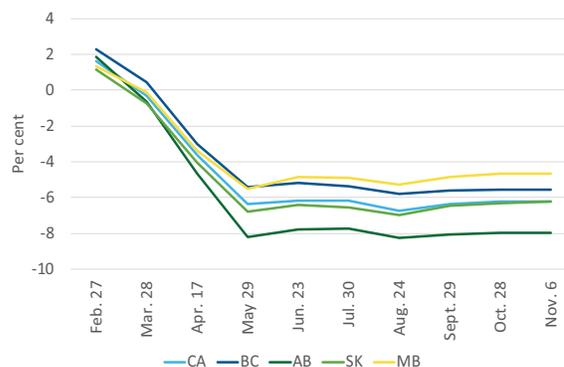
Source: Ministry of Energy and Resources.

## PRIVATE SECTOR FORECASTS

Private sector forecasts of real GDP growth in 2020 have improved in recent months.

Based on the latest average of private sector forecasts, Saskatchewan real GDP is forecast to decline by 6.2 per cent in 2020. But this incorporates forecasts dating back to July and August. Excluding these older forecasts, Saskatchewan real GDP is forecast to decline by 5.4 per cent. All provincial economies are forecast to rebound in 2021.

## EVOLUTION OF PRIVATE SECTOR REAL GDP GROWTH FORECASTS FOR 2020<sup>1</sup>



<sup>1</sup> Figures in chart are the average of private sector forecasts. Private sector includes major Canadian banks, IHS Markit and Conference Board of Canada.

## PRIVATE SECTOR FORECASTS OF SASKATCHEWAN REAL GDP GROWTH, PER CENT CHANGE<sup>1</sup>

|                                  | 2020 | 2021 | Release date |
|----------------------------------|------|------|--------------|
| IHS Markit                       | -7.9 | 3.4  | Jul.         |
| CBOC                             | -8.7 | 4.7  | Aug.         |
| TD                               | -5.4 | 3.6  | Sept.        |
| RBC                              | -5.0 | 4.3  | Sept.        |
| BMO                              | -5.4 | 5.0  | Nov.         |
| CIBC                             | -5.0 | 3.6  | Sept.        |
| Scotiabank                       | -5.9 | 4.0  | Oct.         |
| National Bank                    | -5.9 | 4.7  | Oct.         |
| Laurentian Bank                  | -7.0 | 5.8  | Aug.         |
| Ave. of private sector forecasts | -6.2 | 4.3  |              |
| 2020-21 mid-year forecast        | -5.0 | 3.4  |              |

<sup>1</sup> As of November 6, 2020.

## PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE, PER CENT CHANGE<sup>1</sup>

|    | 2020 | Rank | 2021 | Rank |
|----|------|------|------|------|
| BC | -5.5 | 5    | 4.8  | 4    |
| AB | -8.0 | 10   | 4.9  | 2    |
| SK | -6.2 | 8    | 4.3  | 5    |
| MB | -4.7 | 2    | 4.1  | 9    |
| ON | -6.2 | 7    | 5.0  | 1    |
| QC | -6.2 | 6    | 4.8  | 3    |
| NB | -5.0 | 3    | 4.3  | 7    |
| NS | -5.3 | 4    | 4.3  | 6    |
| PE | -4.6 | 1    | 3.9  | 10   |
| NL | -7.8 | 9    | 4.2  | 8    |
| CA | -6.2 | --   | 4.8  | --   |

<sup>1</sup> As of November 6, 2020.

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

## 2020-21 MID-YEAR BUDGET UPDATE

### OVERVIEW

At mid-year, a deficit of \$2.0 billion is forecast – an improvement of \$381.5 million from budget and \$85.9 million from first quarter.

Revenue is forecast to increase \$503.5 million from budget, while expense is forecast to increase \$122.0 million.

A \$100.0 million revenue risk allowance has been included at mid-year as a measure of prudence against potential COVID-19 impacts to the revenue forecast.

This is in addition to the \$160.0 million expense contingency that remains in place from first quarter. The revenue risk allowance and expense contingency were introduced to manage levels of financial unpredictability during unprecedented times.

At mid-year, public debt is forecast to decrease \$540.8 million from budget and Saskatchewan's net debt-to-GDP ratio is expected to be one of the lowest in Canada this year.

### 2020-21 BUDGET UPDATE - MID-YEAR

| (Millions of Dollars)                           | Budget           | First Quarter Forecast | Mid-Year Projection | Change From  |               |
|-------------------------------------------------|------------------|------------------------|---------------------|--------------|---------------|
|                                                 |                  |                        |                     | Budget       | First Quarter |
| <b>Revenue</b>                                  |                  |                        |                     |              |               |
| Taxation                                        | 7,202.8          | 7,202.8                | <b>7,161.6</b>      | (41.2)       | (41.2)        |
| Non-renewable resources                         | 997.4            | 1,053.8                | <b>1,053.8</b>      | 56.4         | -             |
| Net income from government business enterprises | 728.8            | 705.6                  | <b>874.4</b>        | 145.6        | 168.8         |
| Other own-source revenue                        | 1,933.1          | 1,933.1                | <b>1,933.1</b>      | -            | -             |
| Transfers from the federal government           | 2,786.6          | 3,151.6                | <b>3,229.3</b>      | 442.7        | 77.7          |
| Revenue risk allowance                          | -                | -                      | <b>(100.0)</b>      | (100.0)      | (100.0)       |
| <b>Total Revenue</b>                            | <b>13,648.7</b>  | <b>14,046.9</b>        | <b>14,152.2</b>     | <b>503.5</b> | <b>105.3</b>  |
| <b>Expense</b>                                  |                  |                        |                     |              |               |
| Agriculture                                     | 798.8            | 798.8                  | <b>593.7</b>        | (205.1)      | (205.1)       |
| Community development                           | 762.8            | 833.1                  | <b>834.8</b>        | 72.0         | 1.7           |
| Economic development                            | 389.8            | 406.8                  | <b>494.0</b>        | 104.2        | 87.2          |
| Education                                       | 3,361.9          | 3,364.5                | <b>3,397.3</b>      | 35.4         | 32.8          |
| Environment and natural resources               | 362.4            | 362.4                  | <b>362.4</b>        | -            | -             |
| Financing charges                               | 718.2            | 724.6                  | <b>724.6</b>        | 6.4          | -             |
| Health                                          | 6,176.3          | 6,248.3                | <b>6,351.1</b>      | 174.8        | 102.8         |
| Other                                           | 421.9            | 396.2                  | <b>396.2</b>        | (25.7)       | -             |
| Protection of persons and property              | 806.5            | 806.5                  | <b>806.5</b>        | -            | -             |
| Social services and assistance                  | 1,490.3          | 1,490.3                | <b>1,490.3</b>      | -            | -             |
| Transportation                                  | 585.8            | 585.8                  | <b>585.8</b>        | -            | -             |
| Health and public safety contingency            | 200.0            | 160.0                  | <b>160.0</b>        | (40.0)       | -             |
| <b>Total Expense</b>                            | <b>16,074.7</b>  | <b>16,177.3</b>        | <b>16,196.7</b>     | <b>122.0</b> | <b>19.4</b>   |
| <b>Deficit</b>                                  | <b>(2,426.0)</b> | <b>(2,130.4)</b>       | <b>(2,044.5)</b>    | <b>381.5</b> | <b>85.9</b>   |

Totals may not add due to rounding.

## REVENUE UPDATE

At mid-year, revenue is forecast to be \$14.2 billion, an increase of \$503.5 million (3.7 per cent) from budget or \$105.3 million from first quarter. The increase from budget is due to higher federal transfers, net income from Government Business Enterprises and non-renewable resource revenue, partially offset by lower taxation revenue. As well, a \$100.0 million revenue risk allowance has been included at mid-year to cushion against potential COVID-19 related revenue deterioration.

Significant changes from budget are described below.

**Taxation revenue** is forecast to decrease \$41.2 million from budget.

The decrease in taxation revenue is due to the Government commitment to reduce the small business Corporate Income Tax rate, effective October 1, 2020. This results in a \$49.7 million decline in Corporation Income Tax revenue, partially offset by an \$8.5 million increase in Individual Income Tax revenue – reflecting the corresponding reduction in the cost of dividend tax credit claims.

Outside of Government commitments, Corporate and Individual Income Tax forecasts have not been revised from budget levels, as the extended Canada Revenue Agency tax filing deadline has delayed the assessment of 2019 income taxes, resulting in a lack of new data with which to base any forecast revisions.

Consumption tax data available through the second quarter indicates that year-to-date collections are on track with budget assumptions. When compared to 2019-20, monthly year-over-year decreases in Provincial Sales Tax revenue are improving through September, as declines of approximately 40 per cent for the month of April have narrowed to 5 per cent in September. Fuel Tax revenue collections are also improving, from declines of approximately 47 per cent for the month of April to 17 per cent in September. Other taxes such as Tobacco Tax, Liquor Consumption Tax and Corporation Capital Tax are also in line with budget expectations at mid-year.

## KEY RESOURCE ASSUMPTIONS

|                                                                      | 2019-20<br>Actual | 2020-21<br>Budget | 2020-21<br>First Quarter | 2020-21<br>Mid-Year | Change From |               |
|----------------------------------------------------------------------|-------------------|-------------------|--------------------------|---------------------|-------------|---------------|
|                                                                      |                   |                   |                          |                     | Budget      | First Quarter |
| WTI Oil Price (US\$/barrel)                                          | 54.80             | 30.00             | 37.45                    | 38.70               | 8.70        | 1.25          |
| Light-Heavy Differential (% of WTI)                                  | 20.9              | 40.0              | 24.3                     | 20.5                | (19.5)      | (3.8)         |
| Well-head Oil Price (C\$/barrel) <sup>1</sup>                        | 52.54             | 21.00             | 34.20                    | 36.00               | 15.00       | 1.80          |
| Oil Production (million barrels)                                     | 178.9             | 146.0             | 158.9                    | 156.3               | 10.3        | (2.6)         |
| Potash Price (mine netback, US\$/KCl tonne) <sup>2</sup>             | 223               | 188               | 180                      | 178                 | (10)        | (2)           |
| Potash Price (mine netback, C\$/K <sub>2</sub> O tonne) <sup>2</sup> | 490               | 434               | 404                      | 389                 | (45)        | (15)          |
| Potash Sales (million K <sub>2</sub> O tonnes) <sup>2</sup>          | 12.7              | 13.9              | 13.8                     | 13.8                | (0.1)       | 0.0           |
| Uranium Price (C\$/kg) <sup>2</sup>                                  | 94                | 110               | 98                       | 88                  | (22)        | (10)          |
| Uranium Sales (million kgs) <sup>2</sup>                             | 7.6               | 8.0               | 4.5                      | 4.5                 | (3.5)       | 0.0           |
| Canadian Dollar (US cents)                                           | 75.19             | 71.00             | 72.78                    | 74.73               | 3.73        | 1.95          |

<sup>1</sup> The average price per barrel of Saskatchewan light, medium and heavy oil.

<sup>2</sup> Ministry of Finance calculations derived from calendar-year forecasts.

**Non-renewable resources revenue** is forecast to increase \$56.4 million from budget.

At mid-year, oil and natural gas revenue is forecast to be \$165.0 million higher than budget. The increase is primarily due to an increase in West Texas Intermediate (WTI) oil prices, a narrower light-heavy oil price differential and a forecast increase in production, partially offset by a higher average exchange rate forecast.

Through the first seven months of the fiscal year, WTI oil prices averaged US\$35.13 per barrel compared to the budget assumption of US\$30.00, and prices have been trending upward from an average of US\$16.70 in April to US\$39.55 in October. As a result, the mid-year update assumes WTI oil prices will now average US\$38.70 in 2020-21, an increase of US\$8.70 from budget.

The mid-year forecast assumes the light-heavy oil differential (as a per cent of WTI) will average 20.5 per cent in 2020-21, a decrease of 19.5 percentage points from the budget assumption of 40.0 per cent, reflecting Western Canadian heavy crude shut-ins and increased demand from U.S. refineries. A narrower light-heavy oil differential results in higher well-head prices in Saskatchewan and higher oil revenue, all else equal.

Through the end of October, the light-heavy differential averaged 23.6 per cent.

The value of the Canadian dollar is now expected to average 74.7 U.S. cents in 2020-21, up 3.7 U.S. cents from the budget assumption of 71.0 U.S. cents. The exchange rate averaged 73.9 U.S. cents from April to the end of October, however exchange rates have been trending upward from an average of 71.1 U.S. cents in April to 75.7 U.S. cents in October. All else being equal, a higher Canadian dollar results in lower well-head prices in Canadian dollars and lower oil revenue.

Overall, the result of these forecast changes is a mid-year well-head oil price forecast, in Canadian dollars, of \$36.00 per barrel, up \$15.00 from the budget estimate of \$21.00.

In addition, oil production is forecast to increase from 146.0 million barrels at budget to 156.3 million barrels at mid-year.

Resource Surcharge revenue is forecast to increase \$13.4 million, primarily reflecting a higher forecast for oil sales values, partially offset by a lower forecast for potash sales values.

Potash royalties are forecast to decrease \$87.4 million from budget, primarily due to lower average realized prices in U.S. dollars and an increase in the average exchange rate forecast. Prices are now forecast to average US\$178 per KCl tonne (C\$389 per K<sub>2</sub>O tonne), down from the budget assumption of US\$188 (C\$434).

Finally, other non-renewable resources revenue, including uranium, coal and other minerals, is forecast to decrease \$33.2 million from budget. The decrease is mainly due to a larger-than-budgeted impact of the Cigar Lake mine closure on royalties, despite the mine's recent restart, along with a lower uranium price forecast.

**Government Business Enterprise (GBE) net income** is forecast to increase \$145.6 million from budget.

This increase in GBE net income reflects the following variances from budget:

- \$97.3 million increase in Saskatchewan Liquor and Gaming Authority net income, primarily due to a better-than-expected recovery from COVID-19 closures;

- \$42.7 million increase in Saskatchewan Auto Fund net income, mostly related to a quicker-than-expected recovery from COVID-19 resulting in higher revenue from premiums, registration financing and driver penalties as well as lower claims expenses;
- \$27.2 million increase in SaskTel net income mainly due to strong wireless growth and device revenue, increased business use of managed video conferencing services and one-time equipment sales driven by the pandemic;
- \$24.9 million increase in Saskatchewan Gaming Corporation net income, primarily due to the earlier-than-expected reopening of casinos;
- \$17.1 million increase in SaskEnergy net income, mostly due to higher revenue resulting from colder-than-normal weather and higher natural gas prices, as well as lower operating and depreciation expense; and,
- \$7.7 million increase in Saskatchewan Government Insurance net income, mostly related to higher premium revenue as a result of a quicker-than-expected pandemic recovery, as well as lower claims costs resulting from a decline in vehicle traffic during the pandemic;

partially offset by,

- \$51.7 million decrease in Workers' Compensation Board net income, primarily reflecting lower premium revenue and a higher estimate for future claims costs;
- \$13.7 million decrease in SaskPower net income, primarily due to lower demand from oilfield and commercial customers, as a result of a greater-than-budgeted impact of low oil prices and the COVID-19 pandemic, as well as higher purchased

power costs related to higher natural gas and wind energy prices; and

- \$5.9 million net decrease in other less material items.

**Other own-source revenue** remains unchanged from budget, as forecasts for miscellaneous fees, charges and other revenues through the end of the second quarter remain in line with budget expectations.

**Transfers from the federal government** are forecast to increase \$442.7 million from budget, primarily related to one-time funding to support the safe restart of the economy and schools.

The mid-year forecast includes the following variances from budget:

- \$338.1 million increase for Saskatchewan's share of the federal Safe Restart Agreement;
- \$74.9 million increase for Saskatchewan's share of the federal Safe Return to Class Fund;
- \$18.6 million increase for Saskatchewan's claim under the federal Fiscal Stabilization Program related to the 2016-17 fiscal year (in addition to the initial \$20.3 million payment received in 2019-20); and,
- \$11.1 million net increase across all other federal transfers.

## EXPENSE UPDATE

At mid-year, expense is forecast to be \$16.2 billion, an increase of \$122.0 million (0.8 per cent) from budget or \$19.4 million from first quarter. The mid-year forecast includes the impact of Government's election platform commitments totaling \$91.7 million. Major changes in expense themes from budget are described below.

**Health** is up \$174.8 million from budget, mainly reflecting \$172.0 million of pressures across the health system, including pandemic-related operating costs which are fully offset by the receipt of federal funding under the Safe Restart Agreement. The expense forecast also includes \$2.8 million for the Senior Citizens' Ambulance Assistance Program.

**Economic Development** is up \$104.2 million from budget, reflecting \$87.2 million for the SaskPower customer rebate program and \$35.0 million for tourism sector support programs as reported at first quarter, partially offset by \$18.0 million in savings related to lower-than-budgeted utilization of the Small Business Emergency Payment Program.

**Community Development** is up \$72.0 million from budget, reflecting \$70.3 million for the municipal portion of the federal-provincial Safe Restart Agreement (which is fully offset by revenue as reported at first quarter) and \$1.7 million for the Community Rink Grant Program.

**Financing Charges** are up \$6.4 million from budget due to a higher-than-budgeted interest rate used to value the Teachers' Superannuation Plan (TSP) on March 31, 2020.

**Education** is up a net \$35.4 million from budget, reflecting a \$105.0 million increase in provincial and federal funding for supporting the safe re-opening of the K-12 school system, partially offset by a \$32.2 million decrease as school divisions used less restricted reserves than initially planned due to the impacts of COVID-19 closures earlier in the year and a \$37.4 million decrease in pension expense.

Prior to the 2020-21 school year, Government announced total funding of \$155.0 million to support the safe re-opening of Saskatchewan schools. This amount includes the \$105.0 million noted above, as well as \$10.0 million of capital investments and the re-investment of \$40.0 million of school division savings realized in the 2019-20 school year related to early closures due to COVID-19.

**Agriculture** is down \$205.1 million from budget due to lower crop insurance indemnities as a result of favorable crop conditions.

**Other** expense is down \$25.7 million from budget, reflecting lower pension expense of \$31.2 million as reported at first quarter, partially offset by a \$5.5 million increase for the Chief Electoral Officer for the provincial election.

A \$160.0 million health and public safety contingency remains in place at mid-year as a measure of prudence in the event of a resurgence of the virus over the remainder of the fiscal year.

## PUBLIC 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 entities.

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.

### **2020-21 PUBLIC DEBT UPDATE MID-YEAR** *(as at March 31, 2021)*

| <b>(Millions of Dollars)</b>                | <b>Budget</b> | <b>Mid-Year Projection</b> | <b>Change</b> |
|---------------------------------------------|---------------|----------------------------|---------------|
| General Revenue Fund                        |               |                            |               |
| - Operating                                 | 7,300.0       | <b>7,000.0</b>             | (300.0)       |
| - Saskatchewan Capital Plan                 | 6,691.4       | <b>6,691.4</b>             | -             |
| Other Government Service Organizations      | 345.2         | <b>344.3</b>               | (0.9)         |
| <b>Government Service Organization Debt</b> | 14,336.6      | <b>14,035.7</b>            | (300.9)       |
| <b>Government Business Enterprise Debt</b>  | 10,032.6      | <b>9,792.7</b>             | (239.9)       |
| <b>Public Debt</b>                          | 24,369.2      | <b>23,828.4</b>            | (540.8)       |
| <b>Guaranteed Debt</b>                      | 0.8           | <b>0.2</b>                 | (0.6)         |

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, 2021 is forecast to be \$540.8 million lower than budgeted, primarily due to the improvement in the deficit forecast and reduced GBE debt. The decline in GBE debt is mainly attributable to lower than expected uptake of the Crown utility payment deferral program and deferrals and reductions of capital expenditures.

## NET DEBT UPDATE

Another measure of the Province's financial position is "net debt". Net debt aggregates all of a province's liabilities, and subtracts the financial assets that it has at its disposal to repay these obligations.

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.

Net debt at March 31, 2021 is forecast to be \$14.8 billion. This is \$359.3 million lower than budgeted, primarily due to the anticipated reduction in the 2020-21 deficit.

At March 31, 2021, the Province's net debt is forecast to be one of the lowest among provinces as a percentage of GDP.

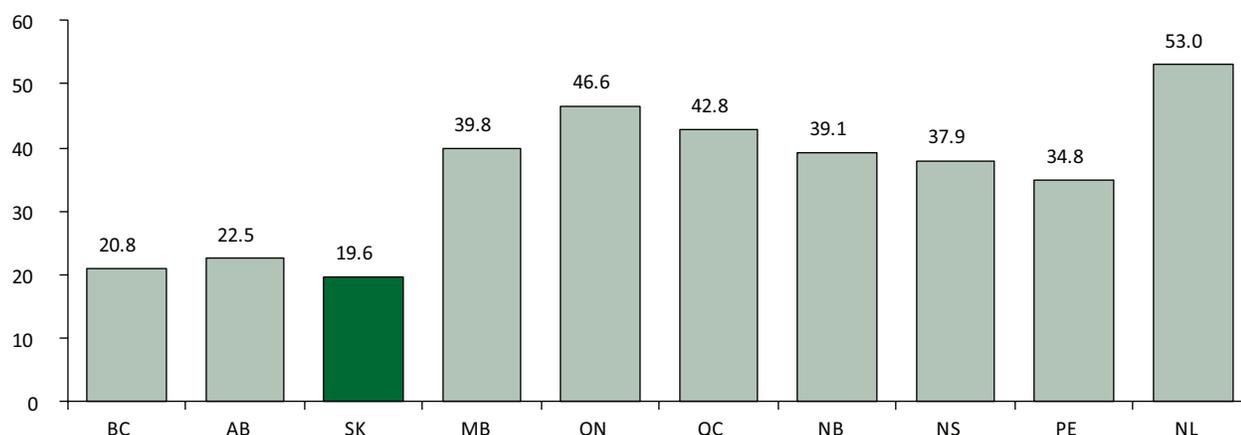
### 2020-21 NET DEBT UPDATE-MID-YEAR (as at March 31, 2021)

| (Millions of Dollars)                                                       | Budget            | Mid-Year Projection | Change       |
|-----------------------------------------------------------------------------|-------------------|---------------------|--------------|
| Deficit                                                                     | (2,426.0)         | (2,044.5)           | 381.5        |
| Acquisition of government service organization capital assets               | (1,044.2)         | (1,058.5)           | (14.3)       |
| Amortization of government service organization capital assets <sup>1</sup> | 637.3             | 629.4               | (7.9)        |
| <b>Increase in Net Debt</b>                                                 | <b>(2,832.9)</b>  | <b>(2,473.6)</b>    | <b>359.3</b> |
| Net debt, beginning of year <sup>2</sup>                                    | (12,288.9)        | (12,288.9)          | -            |
| <b>Net Debt, End of Year</b>                                                | <b>(15,121.8)</b> | <b>(14,762.5)</b>   | <b>359.3</b> |

<sup>1</sup> Includes disposals and adjustments.

<sup>2</sup> Net debt as at March 31, 2020, as reported in the 2019-20 Summary Financial Statements.

### PROJECTED NET DEBT AS A PER CENT OF GDP (as at March 31, 2021)



Sources: Net Debt: Jurisdictions most recent data (as of November 9, 2020).

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



SASKATCHEWAN MID-YEAR REPORT

**20-21**

SUPPLEMENTARY INFORMATION

## 2020-21 SCHEDULE OF REVENUE

| <i>(Millions of Dollars)</i>                                 | Budget          | First Quarter<br>Forecast | Mid-Year<br>Projection | Change From    |                |
|--------------------------------------------------------------|-----------------|---------------------------|------------------------|----------------|----------------|
|                                                              |                 |                           |                        | Budget         | First Quarter  |
| <b>Taxation</b>                                              |                 |                           |                        |                |                |
| Corporation income                                           | 780.9           | 780.9                     | 731.2                  | (49.7)         | (49.7)         |
| Fuel                                                         | 444.0           | 444.0                     | 444.0                  | -              | -              |
| Individual income                                            | 2,605.4         | 2,605.4                   | 2,613.9                | 8.5            | 8.5            |
| Property                                                     | 767.1           | 767.1                     | 767.1                  | -              | -              |
| Provincial sales                                             | 1,996.0         | 1,996.0                   | 1,996.0                | -              | -              |
| Tobacco                                                      | 187.7           | 187.7                     | 187.7                  | -              | -              |
| Other                                                        | 421.7           | 421.7                     | 421.7                  | -              | -              |
| <b>Total Taxation</b>                                        | <b>7,202.8</b>  | <b>7,202.8</b>            | <b>7,161.6</b>         | <b>(41.2)</b>  | <b>(41.2)</b>  |
| <b>Non-Renewable Resources</b>                               |                 |                           |                        |                |                |
| Crown land sales                                             | 12.5            | 11.0                      | 11.1                   | (1.4)          | 0.1            |
| Oil and natural gas                                          | 175.1           | 322.1                     | 340.1                  | 165.0          | 18.0           |
| Potash                                                       | 469.4           | 409.9                     | 382.0                  | (87.4)         | (27.9)         |
| Resource surcharge                                           | 252.4           | 252.4                     | 265.8                  | 13.4           | 13.4           |
| Other                                                        | 88.0            | 58.4                      | 54.8                   | (33.2)         | (3.6)          |
| <b>Total Non-Renewable Resources</b>                         | <b>997.4</b>    | <b>1,053.8</b>            | <b>1,053.8</b>         | <b>56.4</b>    | <b>-</b>       |
| <b>Net Income from Government Business Enterprises</b>       |                 |                           |                        |                |                |
| Municipal Financing Corporation of Saskatchewan              | 1.0             | 1.0                       | 1.0                    | -              | -              |
| Saskatchewan Auto Fund                                       | 121.2           | 163.9                     | 163.9                  | 42.7           | -              |
| Saskatchewan Gaming Corporation                              | (22.4)          | (9.0)                     | 2.5                    | 24.9           | 11.5           |
| Saskatchewan Government Insurance                            | 81.2            | 90.2                      | 88.9                   | 7.7            | (1.3)          |
| Saskatchewan Liquor and Gaming Authority                     | 263.6           | 301.8                     | 360.9                  | 97.3           | 59.1           |
| Saskatchewan Power Corporation                               | 72.3            | 66.5                      | 58.6                   | (13.7)         | (7.9)          |
| Saskatchewan Telecommunications Holding Corporation          | 81.8            | 79.8                      | 109.0                  | 27.2           | 29.2           |
| Saskatchewan Water Corporation                               | 6.2             | 6.2                       | 7.4                    | 1.2            | 1.2            |
| SaskEnergy Incorporated                                      | 20.0            | 30.2                      | 37.1                   | 17.1           | 6.9            |
| Saskatchewan Workers' Compensation Board                     | 102.4           | (19.4)                    | 50.7                   | (51.7)         | 70.1           |
| Consolidation adjustments                                    | 1.5             | (5.6)                     | (5.6)                  | (7.1)          | -              |
| <b>Total Net Income from Government Business Enterprises</b> | <b>728.8</b>    | <b>705.6</b>              | <b>874.4</b>           | <b>145.6</b>   | <b>168.8</b>   |
| <b>Other Own-Source Revenue</b>                              |                 |                           |                        |                |                |
| Fees                                                         | 1,043.0         | 1,043.0                   | 1,043.0                | -              | -              |
| Insurance                                                    | 277.6           | 277.6                     | 277.6                  | -              | -              |
| Investment income                                            | 105.7           | 105.7                     | 105.7                  | -              | -              |
| Transfers from other governments                             | 72.2            | 72.2                      | 72.2                   | -              | -              |
| Miscellaneous                                                | 434.6           | 434.6                     | 434.6                  | -              | -              |
| <b>Total Other Own-Source Revenue</b>                        | <b>1,933.1</b>  | <b>1,933.1</b>            | <b>1,933.1</b>         | <b>-</b>       | <b>-</b>       |
| <b>Total Own-Source</b>                                      | <b>10,862.1</b> | <b>10,895.3</b>           | <b>11,022.9</b>        | <b>160.8</b>   | <b>127.6</b>   |
| <b>Transfers from the Federal Government</b>                 |                 |                           |                        |                |                |
| Canada Health Transfer                                       | 1,301.9         | 1,301.9                   | 1,296.5                | (5.4)          | (5.4)          |
| Canada Social Transfer                                       | 467.1           | 467.1                     | 465.2                  | (1.9)          | (1.9)          |
| Other                                                        | 1,017.6         | 1,382.6                   | 1,467.6                | 450.0          | 85.0           |
| <b>Total Transfers from the Federal Government</b>           | <b>2,786.6</b>  | <b>3,151.6</b>            | <b>3,229.3</b>         | <b>442.7</b>   | <b>77.7</b>    |
| <b>Revenue Risk Allowance</b>                                | <b>-</b>        | <b>-</b>                  | <b>(100.0)</b>         | <b>(100.0)</b> | <b>(100.0)</b> |
| <b>Total Revenue</b>                                         | <b>13,648.7</b> | <b>14,046.9</b>           | <b>14,152.2</b>        | <b>503.5</b>   | <b>105.3</b>   |

Totals may not add due to rounding.

**2020-21 SCHEDULE OF PUBLIC DEBT**  
**(as at March 31, 2021)**

| <i>(Millions of Dollars)</i>                            | <b>Budget</b>   | <b>Mid-Year<br/>Projection</b> | <b>Change</b>  |
|---------------------------------------------------------|-----------------|--------------------------------|----------------|
| <b>Government Service Organization Debt</b>             |                 |                                |                |
| General Revenue Fund - operating                        | 7,300.0         | 7,000.0                        | (300.0)        |
| - Saskatchewan Capital Plan <sup>1</sup>                | 6,691.4         | 6,691.4                        | -              |
| Boards of Education                                     | 144.1           | 144.1                          | -              |
| Global Transportation Hub Authority                     | 39.8            | 39.8                           | -              |
| Health Sector Affiliates                                | 9.6             | 9.6                            | -              |
| Saskatchewan Health Authority                           | 75.5            | 76.0                           | 0.5            |
| Saskatchewan Immigrant Investor Fund Inc.               | 1.0             | 1.0                            | -              |
| Saskatchewan Opportunities Corporation                  | 52.3            | 50.9                           | (1.4)          |
| Water Security Agency                                   | 20.0            | 20.0                           | -              |
| Other                                                   | 2.9             | 2.9                            | -              |
| <b>Government Service Organization Debt</b>             | <b>14,336.6</b> | <b>14,035.7</b>                | <b>(300.9)</b> |
| <b>Government Business Enterprise Debt</b>              |                 |                                |                |
| Municipal Financing Corporation of Saskatchewan         | 201.4           | 231.4                          | 30.0           |
| Saskatchewan Gaming Corporation                         | 15.0            | 11.0                           | (4.0)          |
| Saskatchewan Liquor and Gaming Authority                | 94.2            | 94.2                           | -              |
| Saskatchewan Power Corporation                          | 6,652.8         | 6,622.2                        | (30.6)         |
| Saskatchewan Telecommunications Holding Corporation     | 1,275.1         | 1,154.6                        | (120.5)        |
| Saskatchewan Water Corporation                          | 79.4            | 78.8                           | (0.6)          |
| SaskEnergy Incorporated                                 | 1,714.7         | 1,600.5                        | (114.2)        |
| <b>Government Business Enterprise Debt</b> <sup>2</sup> | <b>10,032.6</b> | <b>9,792.7</b>                 | <b>(239.9)</b> |
| <b>Public Debt</b> <sup>3</sup>                         | <b>24,369.2</b> | <b>23,828.4</b>                | <b>(540.8)</b> |
| <b>Guaranteed Debt</b>                                  | <b>0.8</b>      | <b>0.2</b>                     | <b>(0.6)</b>   |

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

<sup>2</sup> 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.

<sup>3</sup> Public debt is shown net of sinking funds.