

The Honourable Donna Harpauer
Minister of Finance



SASKATCHEWAN BUDGET UPDATE

18-19

ON TRACK

MID-YEAR REPORT

2018-19 Mid-Year Report
Government of Saskatchewan
November 29, 2018

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INTRODUCTION

2018-19 Mid-Year Report

Both the financial and the economic outlook for the province remain on track through the first half of 2018-19.

At mid-year, the deficit is projected to be \$348.3 million, which is \$17.0 million smaller than the \$365.3 million budget deficit.

Revenue is forecast to be up \$138.1 million from budget due to higher non-renewable resource revenue, net income from Government Business Enterprises (GBEs), federal transfers and other own-source revenue, partially offset by lower personal income tax revenue.

Expense is forecast to be up \$121.1 million from budget. Nearly half of the increase at mid-year is a non-cash increase in pension expense, as reported at first quarter. The remaining increases largely reflect increases for child and family services, health services and forest fire operations.

Public debt is forecast to be down \$251.6 million from budget primarily due to decreased debt for SaskPower and SaskEnergy.

While challenges remain in the economy, most were not unexpected.

Several of the major investment indicators are down from last year.

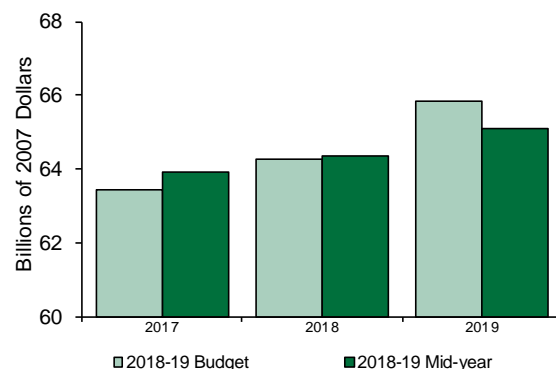
At the same time, many of the non-investment indicators have been positive.

- Manufacturing sales are up 12.0 per cent year-to-date and international goods exports are up 11.7 per cent.
- Crop production is up slightly from last year.
- Wholesale trade, retail sales and employment appear to have improved in the last quarter and are now in positive territory on a year-to-date basis.

Overall, there has been modest improvement in the 2018 level of economic activity.

However, a stronger-than-expected performance in 2017 results in a real GDP growth rate of 0.7 per cent.

SASKATCHEWAN REAL GDP



Sources: Statistics Canada and Ministry of Finance

Cumulatively, over 2017 and 2018, real GDP is consistent with the previous forecast.

The current forecast projects cumulative real GDP growth of 2.9 per cent (2.2 per cent in 2017 and 0.7 per cent in 2018) whereas the previous forecast projected cumulative growth of 2.8 per cent (1.5 per cent in 2017 and 1.3 per cent in 2018).

The 2019 real GDP level and growth rate are both lower-than-expected, reflecting the indefinite closure of McArthur River uranium operations.

Overall, both the economy and provincial finances remain on track with budget expectations.

ECONOMIC UPDATE

INTRODUCTION

The Saskatchewan economy remains on track to post positive growth in 2018, despite challenges in certain sectors. Some indicators are up substantially from last year while others have shown marked improvement in recent months.

Real GDP in 2018 is currently forecast to rise by 0.7 per cent.

Growth in 2019 is expected to pick up. However, the suspension of operations at the McArthur River uranium mine that was initially anticipated to only be for the first 10 months of 2018 has now been extended indefinitely. This has dampened the outlook.

Saskatchewan real GDP in 2019 is now projected to increase by 1.2 per cent.

GLOBAL ECONOMIC OUTLOOK

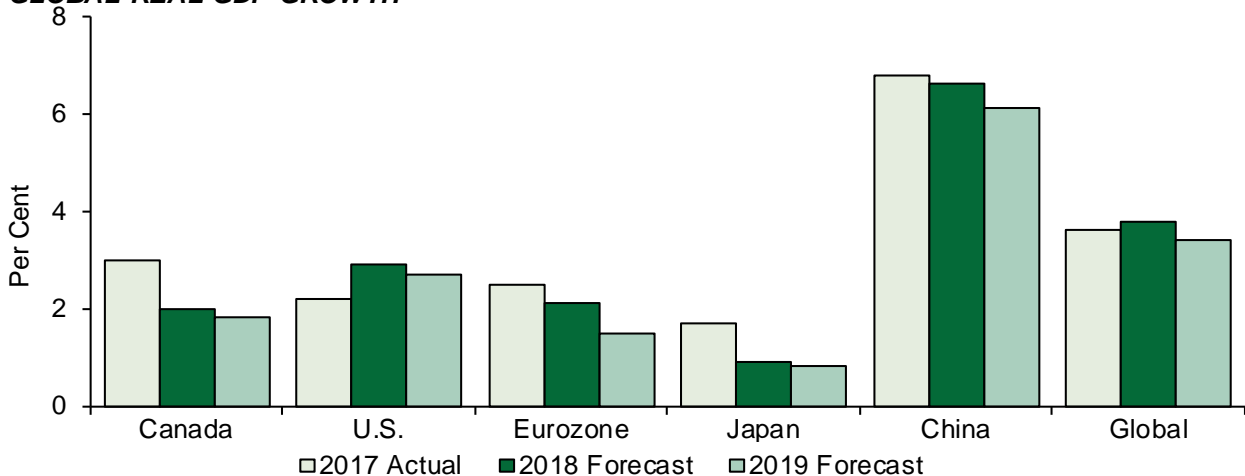
Global economic growth remains solid in 2018, but challenges and risks remain.

The global economic outlook in the near term is expected to be clouded with trade protectionism, especially between the U.S. and China.

Some advanced economies have begun to withdraw their accommodative monetary policy. The intensified currency crisis and tight financial conditions are expected to affect economic growth in emerging economies, especially in Venezuela, Brazil, India, Indonesia, Turkey and Argentina.

Overall, the global economy is expected to grow by 3.8 per cent in 2018 and 3.4 per cent in 2019.

GLOBAL REAL GDP GROWTH



Sources: Bank of Canada (October 2018) and Conference Board of Canada (September 2018)

Growth in the Eurozone was weak in the first half of 2018, partly due to the appreciation of the euro. Meanwhile, domestic demand is still healthy as the labour market continues to improve.

The Eurozone is expected to grow by 2.1 per cent this year and 1.5 per cent next year.

Benefiting from a US\$1.5 trillion tax cut, the U.S. economy has expanded at a robust pace this year. After modest growth of 2.2 per cent in the first quarter, the U.S. economy picked up strongly, growing by 4.2 per cent in the second quarter.

Economic performance in the third quarter slowed slightly, but still had a 3.5 per cent annualized rate of growth. The slower rate of growth is in part due to the impact of China's and other trade partners' retaliatory tariffs on U.S. exports, especially soybeans.

The U.S. economy is expected to grow by 2.9 per cent in 2018.

The growth outlook in the near term, however, will encounter more challenges as fiscal stimulus ends and the impact of imposed tariffs on inputs and consumer prices takes hold.

Meanwhile, the U.S. Federal Reserve has hiked interest rates three times thus far this year and has indicated it will gradually tighten its policy rates further in the near term.

Overall, the U.S. economy is expected to have slower growth of 2.7 per cent in 2019 and 2.3 per cent in 2020.

Supported by strong capital expenditure in 2018, Japan's economy rebounded substantially, growing by an annualized rate of 3.0 per cent in the second quarter after contracting by 0.9 per cent in the first quarter. This was the strongest performance by Japan's economy since the start of 2016.

However, global trade tensions and natural disasters pose risks to the economic outlook in the near term.

Japan's economy is expected to have moderate growth of 0.9 per cent in 2018 and 0.8 per cent in 2019.

China's economy has lost momentum as its trade war with the United States accelerates. China's economy grew by 6.5 per cent in the third quarter of this year, its slowest pace since the financial crisis in early 2009.

CANADIAN AND U.S. MACROECONOMIC ASSUMPTIONS

	Actual 2017	2018-19 Budget			2018-19 Mid-Year		
		2018	2019	2020	2018	2019	2020
Canadian real GDP growth (%)	3.0	2.1	1.8	1.8	2.0	1.8	1.8
U.S. real GDP growth (%)	2.2	2.7	2.3	2.2	2.9	2.7	2.3
Short-term Interest Rate (%)	0.70	1.42	2.27	2.70	1.41	2.21	2.91
10-yr Government of Canada Bond (%)	1.72	2.61	3.38	3.59	2.38	3.47	3.83
Canadian Dollar (US cents)	77.10	78.40	79.10	81.30	77.50	79.10	81.30

Chinese officials have added measures to stimulate growth, including tax cuts, increases in infrastructure spending and easing monetary policy (including lowering the required reserve ratio four times so far in 2018).

Overall, China's economy is expected to grow by 6.6 per cent in 2018 and 6.1 per cent in 2019.

CANADIAN ECONOMIC OUTLOOK

The Canadian economy lost some momentum, growing by 1.4 per cent in the first quarter of 2018, but picked up strongly and grew by 2.9 per cent in the second quarter, mainly due to a surge in exports.

Personal consumption is expected to be the leading source of growth, supported by rising wages and strong employment growth.

Some of the uncertainty associated with the renegotiation of the trade agreement with the U.S. and Mexico has been removed with the new (in-principle) United States-Mexico-Canada Agreement (USMCA), reached in early October.

Overall, Canada's real GDP is forecast to grow by 2.0 per cent in 2018 and 1.8 per cent in 2019.

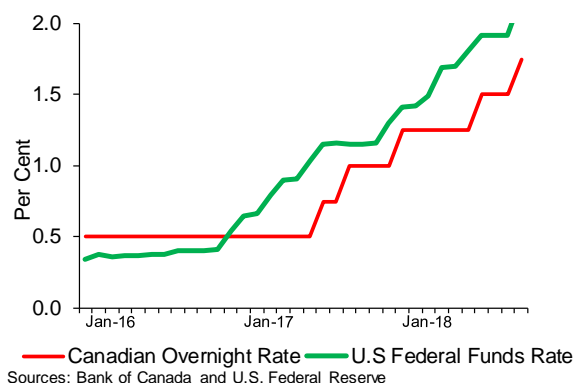
Canadian Interest Rates

Healthy economic growth combined with concerns over high levels of household

debt and inflationary pressure led the Bank of Canada to end a long period of monetary stimulus policy.

The Bank of Canada has raised its policy rates five times by a total of 125 basis points, from 0.5 per cent to 1.75 per cent since 2017.

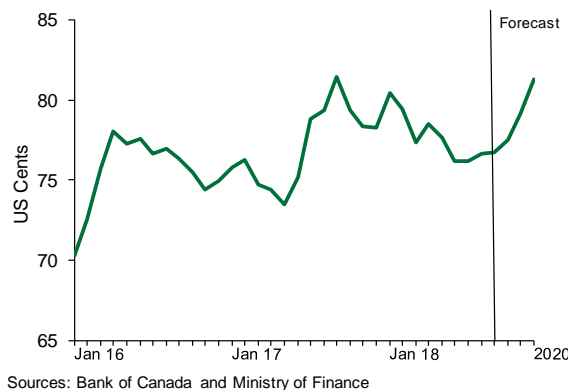
CANADIAN AND U.S. INTEREST RATES



Canadian Dollar

The value of the Canadian dollar has been under pressure partly related to the widening spread between Canadian and U.S. interest rates. The Canadian overnight rate is currently about 45 basis points less than the U.S. federal funds rate.

CANADIAN DOLLAR



The value of the Canadian dollar was at an average of 80.47 U.S. cents in January 2018, then weakened to around 76.87 U.S. cents in October.

Overall, the value of the Canadian dollar is forecast to average 77.50 U.S. cents in 2018 and 79.10 U.S. cents in 2019.

SASKATCHEWAN ECONOMIC OUTLOOK AND PERFORMANCE

The Saskatchewan economy has recovered from the impact of the collapse of oil prices in late 2014, posting a strong 2.2 per cent real GDP growth in 2017.

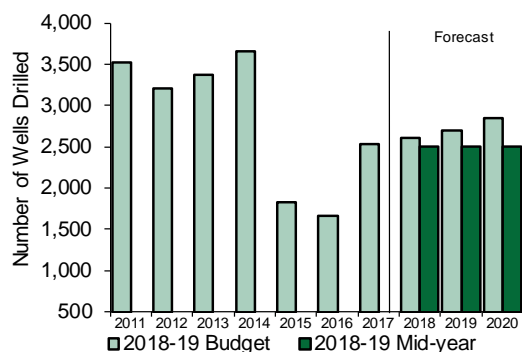
Performance in 2018 has been mixed.

Several major investment indicators are down from last year.

Housing starts fell by 28.6 per cent in the first nine months of 2018 over the same period last year, while investment in non-residential building construction fell by 8.6 per cent.

Oil investment is also down, despite higher oil prices in 2018.

SASKATCHEWAN OIL WELLS DRILLED



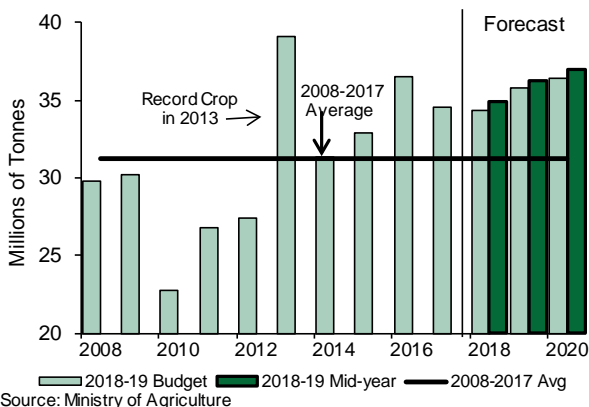
Source: Ministry of Energy and Resources

The number of new oil wells drilled in the first nine months of the year was down by 4.6 per cent over the same period in 2017.

In terms of some of the non-investment indicators, performance has been positive in many cases, even if only slightly.

Crop production is expected to total 34.9 million tonnes in 2018, 0.1 per cent greater than in 2017.

SASKATCHEWAN CROP PRODUCTION

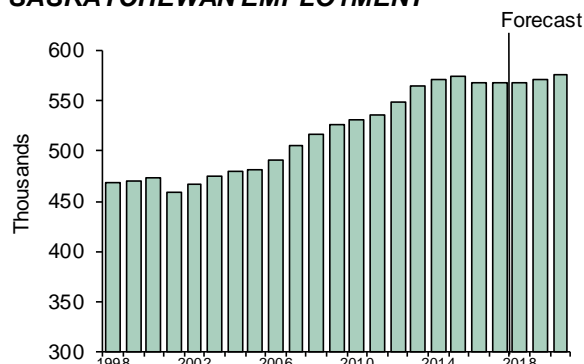


Source: Ministry of Agriculture

Wholesale trade was up 1.9 per cent thus far in 2018 over the same period in 2017 and retail sales were up 0.8 per cent.

Total Saskatchewan employment, according to Statistics Canada's Labour Force Survey, has also improved recently.

SASKATCHEWAN EMPLOYMENT



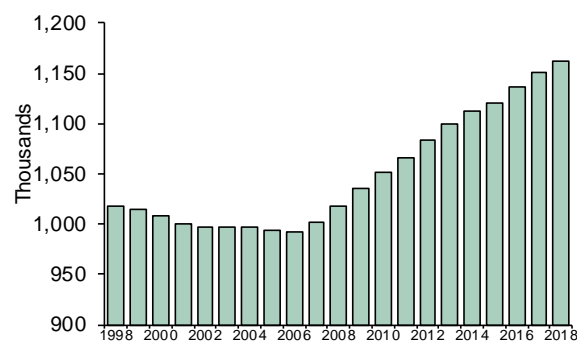
*Source: Statistics Canada and Ministry of Finance

For 2018 overall, employment is forecast to be roughly the same as in 2017.

Population growth remains steady.

Between July 1, 2017 and July 1, 2018, Saskatchewan's population increased by 11,280 persons, to a total of 1,162,062.

SASKATCHEWAN POPULATION (as of July 1)



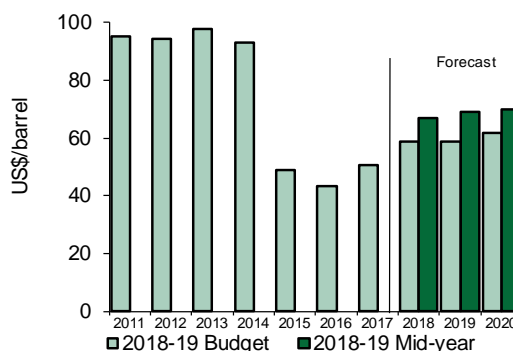
Source: Statistics Canada

Oil prices have been stronger than expected this year.

The price of West Texas Intermediate (WTI) oil is now expected to average

US\$65.95 per barrel in 2018, up from US\$59.00 per barrel in the budget forecast.

WTI OIL PRICES



Source: Ministry of Energy and Resources

However, the majority of oil produced in Saskatchewan is heavier and more sour than WTI oil and requires further processing and transportation to U.S. refineries. As a result, Saskatchewan oil trades at a discount to WTI oil.

Thus, the price of Western Canadian Select (WCS) oil, another important benchmark oil price in North America, is also important in determining the price received by Saskatchewan oil producers.

SASKATCHEWAN ECONOMIC INDICATORS

	2014 Actual	2017 Actual	2018 Estimate*	2018 YTD	2018 (YTD) % Change	Data Period
Population at July 1 (000s)**	1,113.0	1,150.8	1,162.1	1,162.1	11.3	Second Qtr
Employment (000s)**	570.9	567.6	567.7	568.9	0.1	October
Unemployment Rate (%)	3.8	6.3	6.3	6.3	6.3	October
Consumer Price Index (2002=100)	128.7	134.4	137.8	137.3	2.6	September
Average Weekly Earnings (\$)	974.7	1,010.5	1,017.3	1,021.1	0.7	August
Retail Sales (\$B)	19.2	19.6	19.7	13.0	0.8	August
Wholesale Trade (\$B)	25.5	26.0	26.5	19.9	1.9	September
New Motor Vehicle Sales (# of Units)	58,434	56,292	50,174	38,873	(10.9)	September
Manufacturing Sales (\$B)	15.8	16.1	18.0	13.6	12.0	September
International Exports (\$B)	35.3	28.2	31.5	23.3	11.6	September
Building Permits (\$B)	2.7	2.2	1.8	1.4	(18.0)	September
Housing Starts (# of Units)	8,257	4,904	3,408	2,646	(28.6)	Third Qtr
Investment in New Housing Construction (\$B)	1.9	1.2	1.0	0.6	(20.7)	August
Investment in Non-residential Building Construction (\$B)	1.8	1.7	1.6	1.2	(8.6)	Third Qtr

Source: Statistics Canada

* Estimates based on 2018 year-to-date growth and 2017 actual, except for the unemployment rate which is the year-to-date average.

** Change in thousands, not per cent change

While WTI has been rising in 2018, WCS has recently come under significant pressure, largely reflecting supply chain issues and increasing heavy oil production, among other factors.

Despite this pressure, WCS (at Chicago) is forecast to average US\$46.10 in 2018, up from the 2017 average of US\$43.88.

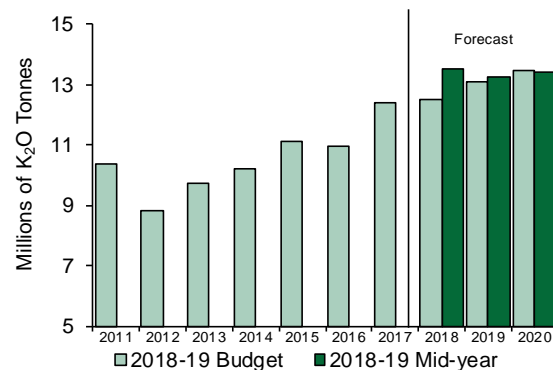
Along with higher oil prices, oil production is expected to increase slightly in 2018. Oil production was up by 0.4 per cent in the first seven months of 2018 over the same period in 2017.

In addition, global demand for potash remains strong and is expected to lead to record Saskatchewan sales in 2018.

Sales are forecast to rise by 7.0 per cent to 13.0 million K₂O tonnes in 2018.

The price of potash is expected to average US\$209.18 per KCl tonne in 2018, up from US\$186.02 per KCl tonne in 2017.

SASKATCHEWAN POTASH PRODUCTION



Source: Ministry of Energy and Resources

Other indicators are substantially positive.

Manufacturing sales were up by 12.0 per cent in the first nine months of 2018 over the same period in 2017 while international goods exports were up by 11.7 per cent.

On balance, the effects of weaker investment in 2018 have been offset by positive performance in other areas, resulting in a modest increase in the projected level of economic activity.

COMMODITY PRICE ASSUMPTIONS - CALENDAR YEAR

	Actual	2018-19 Budget			2018-19 Mid-Year		
	2017	2018	2019	2020	2018	2019	2020
WTI Oil (US\$ per barrel)	50.78	59.00	59.00	62.00	65.95	64.00	70.00
Natural Gas (C\$ per GJ)	2.26	2.55	2.60	2.75	1.60	2.00	2.05
Potash (C\$ per K ₂ O tonne) ¹	395.52	398.19	400.03	395.96	442.48	441.78	438.92
Potash (US\$ per KCl tonne) ¹	186.02	190.43	193.02	196.37	209.18	213.17	217.67
Wheat (C\$ per tonne)	229.03	237.75	231.50	235.49	236.27	240.85	248.58
Canola (C\$ per tonne)	498.63	500.49	496.78	504.48	507.77	519.13	541.86

¹ The potash industry quotes prices in US dollars per KCl tonne. Provincial royalty calculations, however, are based on the Canadian dollar price per K₂O tonne.

Sources: Ministry of Energy and Resources, Ministry of Agriculture

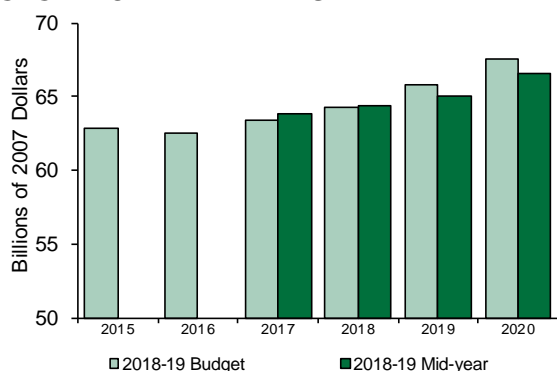
However, stronger performance in 2017, relative to the budget forecast, results in a real GDP growth rate forecast of 0.7 per cent for 2018.

Cumulatively, over 2017 and 2018, real GDP is consistent with the previous forecast.

The current forecast projects cumulative real GDP growth of 2.9 per cent (2.2 per cent in 2017 and 0.7 per cent in 2018) whereas the previous forecast projected cumulative growth of 2.8 per cent (1.5 per cent in 2017 and 1.3 per cent in 2018).

Nominal GDP is now projected to rise by 4.3 per cent this year.

SASKATCHEWAN REAL GDP



Sources: Statistics Canada and Ministry of Finance

SASKATCHEWAN FORECAST AT A GLANCE

(Per Cent Change Unless Otherwise Noted)

	Actual 2017	2018-19 Budget			2018-19 Mid-Year		
		2018	2019	2020	2018	2019	2020
Real GDP	2.2	1.3	2.5	2.6	0.7	1.2	2.3
Nominal GDP	4.8	4.0	4.3	4.2	4.3	2.4	4.1
CPI	1.7	2.3	1.8	1.8	2.3	2.1	2.2
Employment growth (000s)	(0.9)	2.5	4.6	5.4	0.6	2.4	5.0
Unemployment rate (%)	6.3	6.1	5.9	5.7	6.4	6.5	6.4
Retail sales	4.1	2.7	2.5	2.3	1.0	1.6	2.9

The outlook for the Saskatchewan economy in 2019 remains solid. However, challenges still remain in certain areas.

The suspension of operations at the McArthur River uranium mine has been extended indefinitely, resulting in a downward revision to the growth forecast for 2019.

Whereas in the budget forecast, uranium production from McArthur River was expected to come back online in 2019, this is now no longer the case.

Saskatchewan real GDP in 2019 is now forecast to rise by 1.2 per cent. The 2018-19 Budget had projected 2.5 per cent growth in 2019.

Nominal GDP is projected to increase by 2.4 per cent in 2019.

FORECAST COMPARISON

The private sector is currently forecasting 1.6 per cent real GDP growth, on average, for Saskatchewan in 2018 and 2.1 per cent in 2019.

PRIVATE SECTOR FORECASTS OF REAL GDP GROWTH BY PROVINCE*(Per Cent Change)*

	2017					
	Actual*	Rank	2018	Rank	2019	Rank
British Columbia	3.8	2	2.3	3	2.3	1
Alberta	4.4	1	2.3	2	2.2	2
Saskatchewan	2.2	7	1.5	7	2.1	3
Manitoba	3.2	4	1.8	6	1.7	7
Ontario	2.8	6	2.0	4	2.0	4
Quebec	2.8	5	2.4	1	1.8	6
New Brunswick	1.8	8	0.9	9	1.0	9
Nova Scotia	1.5	9	1.1	8	1.0	10
Prince Edward Island	3.5	3	2.0	5	1.7	8
Newfoundland and Labrador	0.9	10	0.2	10	2.0	5
Canada	3.0		2.1		2.0	

* Statistics Canada, Provincial Economic Accounts, November 8, 2018

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

	2018	2019	Cumulative Growth	Release Date
IHS Global Insight	1.3	1.8	3.1	Nov-18
Conference Board of Canada	1.2	2.3	3.5	Aug-18
TD Bank	1.4	2.0	3.4	Sep-18
RBC	2.2	2.8	5.1	Sep-18
BMO	1.5	1.9	3.4	Nov-18
CIBC	1.5	1.8	3.3	Oct-18
Scotiabank	1.5	1.8	3.3	Oct-18
National Bank	1.5	2.5	4.0	Sep-18
Laurentian Bank	1.6	2.0	3.6	Sep-18
Average of Private Sector Forecasts	1.5	2.1	3.6	
2018-19 Mid-year	0.7	1.2	1.9	

CONCLUSION

Saskatchewan's economy is expected to continue to post positive growth over the medium term. However, challenges still remain in some sectors.

Overall, Saskatchewan real GDP is forecast to rise by 0.7 per cent in 2018. The level of economic activity is as expected, but the growth rate is calculated from a higher base in 2017 than the budget forecast.

The indefinite suspension of operations at McArthur River has resulted in a lower growth forecast for 2019.

However, crop production and investment are expected to pick up in 2019, providing some offset.

In 2019, Saskatchewan real GDP is forecast to rise by 1.2 per cent and nominal GDP is projected to increase by 2.4 per cent.

2018-19 BUDGET UPDATE

Mid-Year

OVERVIEW

At mid-year, a deficit of \$348.3 million is forecast – a \$17.0 million improvement from budget.

Revenue is projected to increase \$138.1 million from budget and expense is projected to increase \$121.1 million.

A substantial portion of the spending increase was reported at first quarter.

Relative to first quarter, expense is projected to increase a modest \$8.8 million, while revenue is projected to decrease \$33.4 million.

As a result, the deficit has increased \$42.2 million from first quarter.

2018-19 BUDGET UPDATE - MID-YEAR

(Millions of Dollars)

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
Revenue					
Taxation	7,214.9	7,214.9	7,159.8	(55.1)	(55.1)
Non-renewable resources	1,482.1	1,617.4	1,591.5	109.4	(25.9)
Net Income from government business enterprises	1,078.0	1,114.2	1,116.8	38.8	2.6
Other own-source revenue	2,006.5	2,006.5	2,012.7	6.2	6.2
Transfers from the federal government	2,462.0	2,462.0	2,500.8	38.8	38.8
Total Revenue	14,243.5	14,415.0	14,381.6	138.1	(33.4)
Expense					
Agriculture	770.9	770.9	770.9	-	-
Community development	642.6	642.6	634.8	(7.8)	(7.8)
Debt charges	654.6	644.0	644.0	(10.6)	-
Economic development	230.2	230.2	230.2	-	-
Education	3,263.3	3,329.2	3,329.2	65.9	-
Environment and natural resources	251.7	268.7	271.9	20.2	3.2
Health	5,765.3	5,785.3	5,785.3	20.0	-
Other	439.7	439.7	439.7	-	-
Protection of persons and property	689.9	689.9	700.3	10.4	10.4
Social services and assistance	1,381.3	1,401.3	1,404.3	23.0	3.0
Transportation	519.3	519.3	519.3	-	-
Total Expense	14,608.8	14,721.1	14,729.9	121.1	8.8
Deficit	(365.3)	(306.1)	(348.3)	17.0	(42.2)

REVENUE UPDATE

At mid-year, revenue is forecast to be \$14.4 billion, an increase of \$138.1 million (1.0 per cent) from budget. The increase is due to higher non-renewable resource revenue, net income from Government Business Enterprises (GBEs), federal transfers and other own-source revenue, partially offset by lower taxation revenue.

Significant changes from budget are described below.

Taxation revenue is forecast to decrease \$55.1 million from budget as a result of lower-than-expected personal income tax assessments for the 2017 tax year.

Non-renewable resources revenue is forecast to increase \$109.4 million from budget.

Potash royalties are forecast to increase \$126.8 million from budget, primarily due to higher prices. Prices are now forecast to average US\$210 per KCl tonne (C\$442 per K₂O tonne), up from the budget assumption of US\$191 (C\$399).

In addition, potash sales are expected to be 13.1 million K₂O tonnes in 2018-19, up from the budget estimate of 12.6 million K₂O tonnes.

At mid-year, oil and natural gas revenue is forecast to be \$18.1 million higher than budget. However, this is a decrease of \$87.7 million since first quarter.

While WTI oil prices were higher than expected over the second quarter and averaged US\$68.98 through the end of October, prices have been on a downward trend since the end of September. WTI prices have fallen from US\$76 on October 3 to US\$55 on November 21, largely on concerns of supply and demand imbalances and geopolitical uncertainties.

As considerable uncertainty and risk remain, the mid-year WTI price assumption is being lowered by US\$2.80 from the first quarter assumption and is now expected to average US\$65.23 in 2018-19. Despite the reduction since first quarter, the mid-year WTI oil price assumption is US\$7.05 higher than budget.

2018-19 NON-RENEWABLE RESOURCES FORECAST ASSUMPTIONS

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
WTI Oil Price (US\$/barrel)	58.18	68.03	65.23	7.05	(2.80)
Light-Heavy Differential (% of WTI)	22.1	25.7	31.7	9.6	6.0
Well-head Oil Price (C\$/barrel) ¹	54.36	62.83	56.37	2.01	(6.46)
Oil Production (million barrels)	177.7	177.3	179.2	1.5	1.9
Potash Price (mine netback, US\$/KCl tonne) ²	191	201	210	19	9
Potash Price (mine netback, C\$/K ₂ O tonne) ²	399	420	442	43	22
Potash Sales (million K ₂ O tonnes) ²	12.6	12.7	13.1	0.5	0.4
Uranium Price (C\$/Kg) ²	112	121	111	(1)	(10)
Canadian Dollar (US cents)	78.34	78.34	77.51	(0.83)	(0.83)

¹ The average price per barrel of Saskatchewan light, medium and heavy oil.

² Ministry of Finance calculations derived from calendar-year forecasts.

The value of the Canadian dollar is now expected to average 77.5 U.S. cents in 2018-19, down 0.8 U.S. cents from the budget assumption of 78.3 U.S. cents. A lower Canadian dollar results in higher well-head prices in Canadian dollars and higher oil revenue.

Through the end of October, the Canadian dollar averaged 77.0 U.S. cents.

The positive impacts of higher WTI oil prices and a lower value of the Canadian dollar relative to budget assumptions are almost entirely offset by a wider light-heavy differential in the mid-year forecast.

Through the end of September, the light-heavy differential (as a per cent of WTI) averaged 25.3 per cent.

The mid-year forecast assumes this differential will average 38.1 per cent over the second half of the fiscal year, for a full-year average of 31.7 per cent. This is an increase of 9.6 percentage points from the budget assumption of 22.1 per cent and almost entirely offsets higher WTI prices.

The result of these three forecast changes is a mid-year well-head price forecast, in Canadian dollars, of \$56.37 per barrel, up \$2.01 from the budget forecast of \$54.36.

Other non-renewable resources revenue is forecast to decrease \$22.2 million from budget, largely due to lower-than-budgeted uranium sales as the result of

the indefinite suspension of operations at the McArthur River and Key Lake mines.

Finally, Crown land sales revenue is forecast to decrease \$13.3 million from budget, reflecting lower-than-expected year-to-date sales.

2018-19 OIL AND NATURAL GAS REVENUE RECONCILIATION

(Millions of Dollars)

2018-19 Budget	700.1
Impact of forecast changes:	
Increase in WTI oil price	105.8
Decrease in exchange rate	11.2
Increase in light-heavy differential	(96.0)
Other changes	(2.9)
Total Change from Budget	18.1
2018-19 Mid-Year Projection	718.2

Other own-source revenue is forecast to increase \$6.2 million from budget.

Insurance revenue at the Saskatchewan Crop Insurance Corporation (SCIC) is up \$18.2 million as a result of higher producer premiums for increased insured acres, while transfers from other governments are up \$9.3 million, primarily due to higher out-of-province fire-fighting activity.

These increases are partially offset by a \$14.9 million decrease in fee revenue at the Saskatchewan Health Authority and a \$6.4 million decrease in miscellaneous revenue due to lower-than-budgeted land sales at the Global Transportation Hub Authority.

Transfers from the federal government are forecast to increase \$38.8 million from budget.

Federal crop insurance premiums received at SCIC are up \$16.2 million from budget as a result of an increase in insured acres on the part of Saskatchewan producers.

The mid-year forecast also includes a \$10.5 million increase in federal funding for planned highways projects, an \$8.5 million increase in disaster assistance cost-sharing contributions and one-time funding of \$5.0 million from the federal Emergency Treatment Fund to respond to the opioid crisis and problematic substance use.

Government Business Enterprise (GBE) net income is forecast to increase \$38.8 million from budget.

This increase in GBE net income reflects:

- a \$30.7 million increase in SaskPower net income, mainly due to increased Saskatchewan sales to large customers and increased exports and trading activity with Alberta;
- a \$27.9 million increase in the consolidation adjustment, mainly to reflect an adjustment made in the 2017-18 Public Accounts; and,
- a \$19.5 million increase in SaskEnergy net income mostly due to colder-than-normal weather and recognition of an unbudgeted gain

on the sale of a non-core natural gas processing facility.

These increases are partially offset by:

- decreases of \$20.8 million and \$4.3 million, respectively, in Saskatchewan Government Insurance and Saskatchewan Auto Fund net income, primarily due to higher summer storm and out-of-province claims, partially offset by higher investment earnings;
- an \$11.0 million decrease in Workers' Compensation Board net income due to lower employer payrolls and higher claim costs; and,
- a \$3.0 million decrease in Saskatchewan Liquor and Gaming Authority net income, mainly due to lower video lottery terminal revenue.

2018-19 REVENUE RECONCILIATION

(Millions of Dollars)

2018-19 Budget	14,243.5
Forecast Changes from Budget:	
Personal income tax	(55.1)
Oil and natural gas	18.1
Potash	126.8
Other resource revenue	(35.5)
GBE net income	38.8
Other own-source revenue	6.2
Federal transfers	38.8
Total Change from Budget	138.1
2018-19 Mid-Year Projection	14,381.6

EXPENSE UPDATE

At mid-year, expense is forecast to be \$14.7 billion, an increase of \$121.1 million (0.8 per cent) from budget. Nearly half of the increase at mid-year is a non-cash increase in pension expense.

Significant changes from budget are described below.

As reported at first quarter, pension expense – primarily for the Teachers’ Superannuation Plan – is forecast to increase \$55.3 million, primarily as a result of changes in interest rates and actuarial assumptions. These changes result in a \$65.9 million increase in the **Education** expense theme and a \$10.6 million decrease in the **Debt Charges** expense theme.

Social Services and Assistance expense is forecast to increase \$3.0 million from the first quarter forecast, for a total increase of \$23.0 million from budget. The increase from budget is primarily due to caseload increases in child and family services at the Ministry of Social Services.

Environment and Natural Resources expense is forecast to increase \$3.2 million from first quarter, for a total increase of \$20.2 million from budget, primarily for costs arising from this year’s wildfire season.

Health expense is unchanged from the first quarter forecast and is projected to increase \$20.0 million from budget due to utilization pressures across the sector.

Protection of Persons and Property

expense is forecast to be up \$10.4 million from budget, largely due to increases for the Provincial Disaster Assistance Program at the Ministry of Government Relations, court services at the Ministry of Justice and Attorney General and utilization pressures in custody services at the Ministry of Corrections and Policing.

Community Development expense is forecast to be down \$7.8 million from budget, largely due to lower federal-provincial infrastructure programming as a result of project delays, partially offset by an increase in gaming agreement payments, primarily related to prior-year casino profits.

All other expense themes are unchanged from budget.

2018-19 EXPENSE RECONCILIATION

(Millions of Dollars)

2018-19 Budget	14,608.8
Forecast Changes from Budget:	
Pension expense	55.3
Social services and assistance	23.0
Environment and natural resources	20.2
Health	20.0
Protection of persons and property	10.4
Community development	(7.8)
Total Change from Budget	121.1
2018-19 Mid-Year Projection	14,729.9

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.

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, 2019 is forecast to be \$251.6 million lower than budgeted, primarily due to decreased debt for SaskPower and SaskEnergy.

2018-19 PUBLIC DEBT UPDATE - MID-YEAR

As at March 31

(Millions of Dollars)

	Budget	Mid-Year Projection	Change
General Revenue Fund			
- Operating	6,150.0	6,150.0	-
- Saskatchewan Builds Capital Plan	4,193.8	4,193.8	-
Other Government Service Organizations	431.3	401.4	(29.9)
Government Service Organization Debt	10,775.1	10,745.2	(29.9)
Government Business Enterprise Debt	9,259.8	9,038.1	(221.7)
Public Debt	20,034.9	19,783.3	(251.6)
Guaranteed Debt	24.5	24.5	-

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, 2019 is forecast to be \$12.3 billion, which is \$394.0 million lower than budgeted, primarily due to actual 2017-18 results, specifically a smaller deficit and lower than expected capital spending.

At March 31, 2019, the Province's net debt is forecast to be third lowest among provinces as a percentage of GDP.

2018-19 NET DEBT UPDATE - MID-YEAR

As at March 31

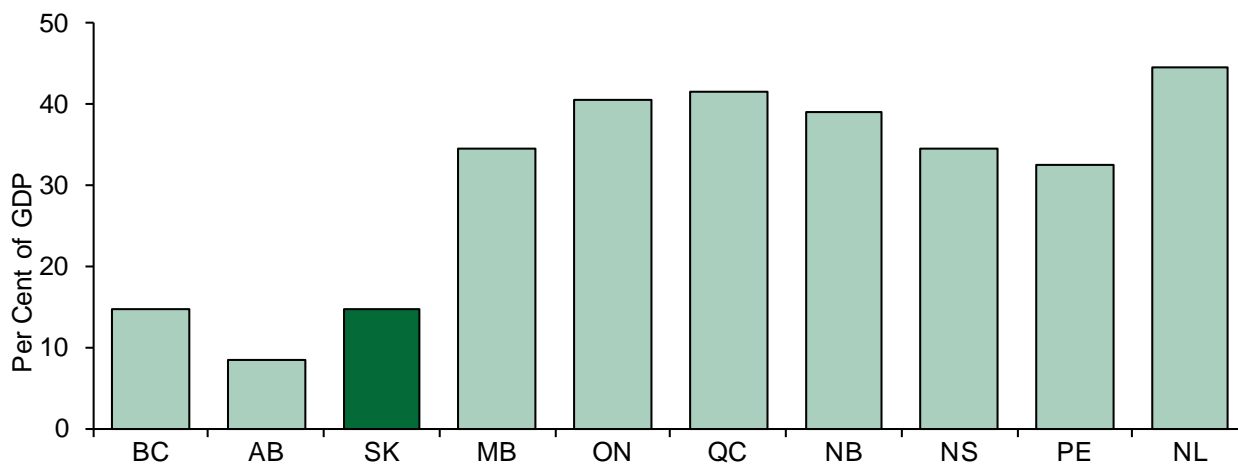
(Millions of Dollars)

	Budget	Mid-Year Projection	Change
Deficit	365.3	348.3	(17.0)
Acquisition of government service organization capital assets	1,118.0	1,202.5	84.5
Amortization of government service organization capital assets ¹	(610.1)	(585.4)	24.7
Increase in Net Debt	873.2	965.4	92.2
Net debt, beginning of year	11,774.6	11,288.4 ²	(486.2)
Net Debt, End of Year	12,647.8	12,253.8	(394.0)

¹ Includes disposals and adjustments.

² Net debt as at March 31, 2018, as reported in the 2017-18 Summary Financial Statements.

NET DEBT AS A % OF GDP (as at March 31, 2019)



Sources: Jurisdictions most recent data as of November 26, 2018, Statistics Canada, Conference Board of Canada

2018-19 SCHEDULE OF REVENUE
(Millions of Dollars)

	Budget	First Quarter Forecast	Mid-Year Projection	Mid-Year Change from	
				Budget	First Quarter
Taxation					
Corporation Income	621.1	621.1	621.1	-	-
Fuel	546.1	546.1	546.1	-	-
Individual Income	2,441.2	2,441.2	2,386.1	(55.1)	(55.1)
Property	759.3	759.3	759.3	-	-
Provincial Sales	2,155.0	2,155.0	2,155.0	-	-
Tobacco	260.3	260.3	260.3	-	-
Other	431.9	431.9	431.9	-	-
Total Taxation	7,214.9	7,214.9	7,159.8	(55.1)	(55.1)
Non-Renewable Resources					
Crown Land Sales	63.9	61.1	50.6	(13.3)	(10.5)
Oil and Natural Gas	700.1	805.9	718.2	18.1	(87.7)
Potash	308.0	361.1	434.8	126.8	73.7
Resource Surcharge	317.3	317.3	317.3	-	-
Other	92.8	72.0	70.6	(22.2)	(1.4)
Total Non-Renewable Resources	1,482.1	1,617.4	1,591.5	109.4	(25.9)
Net Income from Government Business Enterprises					
Municipal Financing Corporation	0.8	0.8	0.8	-	-
Saskatchewan Auto Fund	118.0	110.5	113.7	(4.3)	3.2
Saskatchewan Gaming Corporation	23.0	23.0	22.4	(0.6)	(0.6)
Saskatchewan Government Insurance	60.7	50.2	39.9	(20.8)	(10.3)
Saskatchewan Liquor and Gaming Authority	481.4	479.3	478.4	(3.0)	(0.9)
Saskatchewan Power Corporation	176.7	207.3	207.4	30.7	0.1
Saskatchewan Telecommunications Holding Corporation	133.0	133.0	133.0	-	-
Saskatchewan Water Corporation	6.2	6.3	6.6	0.4	0.3
SaskEnergy Incorporated	68.4	66.1	87.9	19.5	21.8
Saskatchewan Workers' Compensation Board	15.3	15.3	4.3	(11.0)	(11.0)
Consolidation Adjustments	(5.5)	22.4	22.4	27.9	-
Total Net Income from Government Business Enterprises	1,078.0	1,114.2	1,116.8	38.8	2.6
Other Own-Source Revenue					
Fees	1,157.3	1,157.3	1,142.4	(14.9)	(14.9)
Insurance	288.2	288.2	306.4	18.2	18.2
Investment Income	95.6	95.6	95.6	-	-
Transfers from Other Governments	88.8	88.8	98.1	9.3	9.3
Miscellaneous	376.6	376.6	370.2	(6.4)	(6.4)
Total Other Own-Source Revenue	2,006.5	2,006.5	2,012.7	6.2	6.2
Transfers from the Federal Government					
Canada Health Transfer	1,202.4	1,202.4	1,203.3	0.9	0.9
Canada Social Transfer	441.3	441.3	441.6	0.3	0.3
Other	818.3	818.3	855.9	37.6	37.6
Total Transfers from the Federal Government	2,462.0	2,462.0	2,500.8	38.8	38.8
Total Revenue	14,243.5	14,415.0	14,381.6	138.1	(33.4)

2018-19 SCHEDULE OF PUBLIC DEBT

As at March 31

(Millions of Dollars)

	Budget	Mid-Year Projection	Change
Government Service Organization Debt			
General Revenue Fund			
- Operating	6,150.0	6,150.0	-
- Saskatchewan Builds Capital Plan ¹	4,193.8	4,193.8	-
Boards of Education	166.8	166.8	-
Global Transportation Hub Authority	35.0	40.0	5.0
Regional Health Authorities	98.3	66.9	(31.4)
Saskatchewan Housing Corporation	15.7	15.7	-
Saskatchewan Immigrant Investor Fund Inc.	22.9	22.9	-
Saskatchewan Opportunities Corporation	55.2	53.0	(2.2)
Water Security Agency	31.6	31.6	-
Other	5.8	4.5	(1.3)
Government Service Organization Debt	10,775.1	10,745.2	(29.9)
Government Business Enterprise Debt			
Municipal Financing Corporation of Saskatchewan	207.7	207.7	-
Saskatchewan Liquor and Gaming Authority	100.0	100.0	-
Saskatchewan Power Corporation	6,424.5	6,284.9	(139.6)
Saskatchewan Telecommunications Holding Corporation	1,046.2	1,046.2	-
Saskatchewan Water Corporation	87.6	78.2	(9.4)
SaskEnergy Incorporated	1,393.8	1,321.1	(72.7)
Government Business Enterprise Debt²	9,259.8	9,038.1	(221.7)
Public Debt³	20,034.9	19,783.3	(251.6)
Guaranteed Debt	24.5	24.5	-

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

² 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.

³ Public debt is shown net of sinking funds.

