

SASKATCHEWAN BUDGET 2019

March 21, 2019

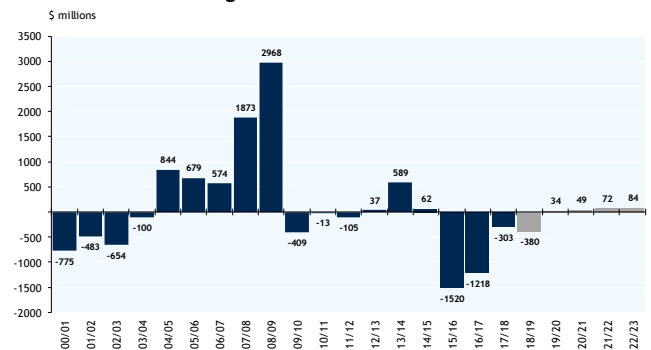
Highlights

- Saskatchewan's government, as promised, is on track to achieving their objective of balancing the budget in FY 19/20, estimating a surplus of \$34.4 million.
- Surpluses will continue through the fiscal plan with \$49 million expected in FY 20/21, \$72 million in FY 21/22 and \$84 million in FY 22/23.
- Revenue is forecast to rise a whopping 5% in FY19-20 to reach \$15 billion largely reflecting increases in individual and corporate tax revenues after one-off revisions to the prior year's receipts. Similarly, expenditures are projected to hit \$15 billion in FY 19/20.
- New tax measures included a non-refundable tax credit for volunteer firefighters and emergency medical first responders – as a consequence of the Humboldt bus tragedy; and the axing of Saskatchewan Resource Credit for potash production

Overview

Budget 2019 is very much a balancing act, with limited new initiatives while achieving surpluses through the next three years. Revenues are forecast to increase 5%, more than projected in last years' budget, due to an increasing tax base, higher resource revenue, as well as a one-off increase in the government business enterprise net income. Revenue growth will be slower in future years rising at an average 2.1% through to FY 22/23. Expenses are expected to grow at 2.6% in FY 19/20 and grow by 2% for the next three years. This is significantly higher than was expected in the previous budget which looked for expenditures to grow on average 1.3% until FY 21/22. With both revenue and expenditure growing at a similar rate, there could be some downside risk to the governments budgetary projections.

Saskatchewan budget balance



Source: Saskatchewan Ministry of Finance, RBC Economic Research

Estimate: ■

Budget Balance Profile

Budget 2019 is projecting a slim surplus in FY19/20 of \$34.4 million. This is larger than the \$6 million projected last year. This improving trend continues through the forecast with the government indicating a surplus of \$49 million in FY 20/21 growing to \$72 million and \$84 million in FY21/22 and FY22/23, respectively. There isn't any mention of a contingency reserve fund to offset any negative shocks.

Revenues

Budget 2019 hasn't introduced any big ticket revenue measures. The notable change is the creation of a non-refundable tax credit for Volunteer Firefighters and Volunteer Emergency Medical First Responders, beginning in 2020. Individuals who have devoted 200 hours to eligible volunteer services can claim \$3000 in tax credits. While there are no new tax hikes, the government has decided to axe the Saskatchewan Resource Credit for potash production – a measure which is expected to rake in \$117 million in revenues. All the growth in revenue will come from the province with federal cash transfers set to decline in FY 19/20. The first full year of cannabis legalization will result in \$5 million tax revenue. Oil revenues are budgeted to decline by \$2 million in FY 19/20 due to a fall in the price of Western Texas Intermediate (WTI) oil as well as a decline in production.

Expenditures

Expenditures are set to grow by \$15 billion in FY 19/20, with the majority of spending focussed on health, education and social services. Increases in health are limited to 2.1%, with a number of new mental health initiatives from different min-



industries committing \$417.7 million in FY 19/20. Agriculture will get a big boost this year with a 19% increase compared to the previous year forecast, mainly due to higher budgeted crop insurance indemnities. There are also targeted investments to Indigenous communities and businesses. Education, environment and natural resources as well as protection of persons and property will see declines in their expenditure compared to the previous year forecast.

Capital Spending

Budget 2019 will see \$1.1 billion of capital investment, slightly lower than the previous fiscal year and continuing to fall through to 2022/23. Under half of that investment will be dedicated to transportation infrastructure (\$457.8M), while municipal infrastructure will see an increase to \$229.8M from \$1845M in FY 18/19.

Net Debt

While the government is expecting to balance its books in FY 19/20, net debt is still expected to trend higher by \$1.7 billion from the previous year's budget to reach \$21.7 billion. As a share of GDP, the net debt to GDP ratio in 2019 rises to 14.8%. It is, however, expected to fall consistently over the next four years to 13.1% in 2023. Saskatchewan has the third lowest net debt to GDP amongst the provinces, behind Alberta and British Columbia.

Budget assumptions

	2019	2020	2021	2022	2023
Real GDP growth (%)					
Budget 2019 planning assumption	1.2	2.4	1.7	2.3	2.5
RBC Forecast	1.2	2.2			
Nominal GDP growth (%)					
Budget 2019 planning assumption	2.0	3.7	3.4	4.8	4.4
RBC Forecast	1.4	4.9			

Source: Saskatchewan Ministry of Finance, RBC Economic Research

Borrowing Requirement

Budget 2019 indicated a FY19/20 borrowing requirement of \$2.3 billion. Of this, \$203.3 million is meant to refinance maturing debt, while the majority is meant to finance capital expenditures.

Saskatchewan's Consolidated Fiscal Plan

(\$ millions)	Forecast	Projected			
	2018/19	2019/20	2020/21	2021/22	2022/23
Total revenues	14,330	15,025	15,339	15,668	15,992
Total expenditures	14,710	14,991	15,290	15,596	15,908
Human Resource Compensation Measure	-	-	-	-	-
Contingency Allocation	-	-	-	-	-
Surplus/(deficit)	(380)	34	49	72	84
Net debt	12,132	12,362			
Net debt to GDP (%)	14.8	14.7	14.3	13.8	13.1

Source: Saskatchewan Ministry of Finance, RBC Economic Research