

Economics

# PROVINCIAL BUDGET BRIEFS

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## Saskatchewan budget 2026

The province of Saskatchewan is projecting a deficit of \$819mn (0.7% GDP) for the upcoming fiscal year, which would be a slightly smaller shortfall than in the outgoing year due to spending restraint and an expected rebound in net incomes for crown corporations. Economic and commodity price assumptions for the upcoming year appear on the conservative side given the recent spike in oil prices, which will be a positive for the province. The government is looking to return to balance by fiscal 2030/31, and aims to reduce its workforce by 3% over the next two years to help towards that goal. A smaller deficit for the upcoming year is expected to see overall borrowing requirements fall to \$5.3bn, from \$5.8bn, despite higher refinancing needs.

Table 1: Summary of fiscal position: (C\$millions)

Fiscal measure	2024/25 Actual	2025/26 25 Budget	2025/26 26 Budget	2025/26 Change	2026/27 26 Budget	2027/28 26 Budget	2028/29 26 Budget	2029/30 26 Budget	2030/31 26 Budget
<b>Revenue</b>	20,856	21,056	20,804	-253	21,417	22,295	23,209	24,161	25,151
Own source	16,279	16,414	16,437	23	16,606				
• % change	-1.1	3.8	1.0	-2.8	1.0				
Federal transfers	3,792	3,937	4,018	81	4,168				
Net income from Crowns	785	705	349	-356	643				
<b>Expenditures</b>	21,105	21,044	22,014	970	22,236	22,903	23,591	24,298	25,027
Program spending	20,155	19,985	20,949	964	21,017				
• % change	0.9	-0.7	3.9	4.6	0.3				
Public debt charges	951	1,059	1,065	6	1,219				
<b>Surplus(deficit)</b>	-249	12	-1,211	-1,223	-819	-608	-381	-138	124

## Growth expected to moderate before re-accelerating

Economic assumptions included within today's budget are based on a consensus of private sector forecasts, and see real GDP growth in the province slowing in 2026 before recovering again thereafter. Nominal GDP growth slows by more than real GDP, to 3.3% from 4.3% in 2025, before also recovering. Note though that the private sector forecasts are dated February 9th, and the sharp rise in oil prices seen since then have likely resulted in upward shifts in provincial GDP forecasts, particularly in nominal terms which could positively impact revenue projections.

The effect of US tariffs on Saskatchewan has been milder than most other provinces, with the budget noting a high rate of CUSMA compliance (97%) which has kept the effective tariff rate relatively low. The assumption for WTI oil prices in the upcoming fiscal year (\$59.8/bbl) is conservative relative to current market pricing, and sensitivity analysis suggests that a \$1/bbl divergence in prices on a full year basis would have a \$16mn impact on revenues.

**Table 2: Key assumptions (Y/Y % chg)**

Economic assumptions	2025	2026	2027	2028-30
Real GDP	2.2	1.6	2.0	2.4
Nominal GDP	4.3	3.3	4.3	3.7
Employment growth (K)	15.2	8.3	6.2	7.9
Unemployment rate (%)	5.2	5.1	5.1	5.2
CPI	2.1	2.3	2.1	2.0

Note: 2028-30 is three-year average

**Table 3: Key financial assumptions**

Financial assumptions	2025/26	2026/27	2027/28	28/29-30/31
Exchange rate (US¢/C\$)	72.0	72.7	74.0	75.4
WTI (US\$/bbl)	61.7	59.8	63.5	71.9
Potash (US\$/KCl tonne)	271	289	299	318.0

Note: 2028/29-2030/31 is three-year average

## Deficits expected to reduce slowly back to balance

Saskatchewan is now predicting a deficit of \$1.2bn for the outgoing 2025/26 fiscal year, which is in stark contrast to the balanced budget expected a year ago. However, the shortfall would still be a moderate 1% of GDP, which is on the smaller end of provincial deficits due to deterioration elsewhere as well. Moreover, almost a third of the \$1.2bn deterioration reflects increased spending related to wildfire and evacuation activities. A further \$313mn represents weaker net income from SaskPower. However, tax revenues are also running somewhat weaker than expected due to lower wage growth impacting personal income taxes, while softer consumer spending has negatively impacted PST revenue.

For the upcoming 2026/27 fiscal year, the deficit is expected to narrow to \$819mn (0.7% GDP), helped by a bounce back in revenue for crown corporations (SaskPower) as well as only modest spending growth. However, the cost for servicing the public debt is expected to jump to \$1.22bn, from \$1.06bn, which dampens the expected improvement. Non-renewable resource revenue is expected to be lower than in fiscal 2025/26, although there will be upside risk to that forecast if the current period of elevated oil prices persists.

Longer term projections suggest that the deficit should continue to narrow gradually before balance is reached again in fiscal 2030/31. The province is looking to reduce the size of its workforce by 3% over the next two years through attrition, which will help to keep spending under control and bring the deficit back to balance.

## Term borrowing dropping this year

In the budget last year, borrowing for this current fiscal year was estimated to be \$4.0bn, which was planned to be satisfied through \$3.9bn of long-term debt and \$0.1bn of new short-term debt. However, due to both higher taxpayer-supported and self-supported borrowing requirements, the overall requirement jumped up to \$5.8bn in today's budget. Both long- and short-term funding plans were increased to \$5.0bn and \$0.8bn, respectively, to fulfill the outgoing year's obligations.

To complete those requirements, the province tapped the long-term debt markets this year for a total of C\$5.3bn, which included deals in Swiss Francs worth C\$535mn and a Euro deal worth C\$1.764bn. The remainder was completed with an increase of short-term funding by \$836mn. As a result of the \$5.3bn completed vs the target of \$5.0bn, the province has pre-funded \$300mn towards this upcoming year.

As for the upcoming year, lower funding requirements for both taxpayer-supported and self-supported offsets the increase in refinancing requirements. The three combined has overall funding needs at \$5.3bn, \$500mn less than this outgoing year. That is expected to be funded through \$4.8bn of long-term debt and \$500mn of new short-term debt. Recall, the province has already pre-funded \$300mn towards that \$4.8bn target. Of the total requirements, almost \$1.7bn is for refinancing as the province has a \$1.575bn bond due in June. Looking further ahead, term debt projections for the subsequent three years through 2029/30 peak in 2027/28 at \$5.8bn before dropping to \$4.8bn, and \$4.6bn, respectively.

Overall, the financing charges in 2025/26 are forecast to be slightly higher than budgeted mainly due to the early execution of the borrowing plan. However, some of that increase was offset by higher investment income resulting from the higher cash balances. Meanwhile, financing charges for this upcoming year are expected to increase some \$150mn

due to interest on new debt issuance as well as higher interest rates on refinanced debt. The \$1.575bn maturing this June has a coupon of 2.55% as it was issued in 2016 when rates were lower.

Overall, financing charges for 2026/27 assume interest rates of 2.5% for new short-term borrowing and 4.5% for new long-term borrowing. Meanwhile, an one percentage point increase in interest rates from levels assumed in the budget would increase financing charges in 2026/27 by approximately \$40mn.

**Table 4: Borrowing requirements (C\$millions)**

Borrowing requirements	Budget 2025/26F	Update 2025/26E	Budget 2026/27F
Refinancing	1,499	1,486	1,684
New taxpayer-supported	1,769	2,705	2,450
New self-supported	776	1,649	1,202
<b>Total</b>	<b>4,043</b>	<b>5,839</b>	<b>5,336</b>

**Table 5: Borrowing sources (C\$millions)**

Borrowing sources	Budget 2025/26F	Update 2025/26E	Budget 2026/27F
Long-term debt	3,919	5,003	4,836
Short-term debt	124	836	500
<b>Total</b>	<b>4,043</b>	<b>5,839</b>	<b>5,336</b>

## Net debt as a percentage of GDP is growing over the next few years

For this outgoing fiscal year, Saskatchewan's net debt is forecasted to finish at \$18.1bn, an increase of \$741mn from the budget estimate. A lower starting position than previously estimated helped offset some of the increase from the projected \$1.2bn deficit. That overall increase places the net debt-to-GDP ratio at 15.2% at March 31, 2026, up from 13.7% the prior year. Also, the ratio is higher when compared to last year's budget estimate for this outgoing year, which was at 14.6%.

For this upcoming year, the ratio is projected to further increase to 16.1%. That is a result of net debt increasing by \$1.7bn due to the projected deficit and capital spending. Under the current assumptions, Saskatchewan's net-debt-to-GDP ratio is forecasted to gradually increase the next to years and peak at 16.7% in 2028/29, before decreasing the following two years to 15.8% by 2030/31. This outlook is a deterioration from last year's budget which anticipated the net debt-to-GDP ratio reaching 14.8% in 2028/29. Despite that increase, the province still has the second lowest debt ratio amongst its provincial peers.

## 2026/27 Capital Plan sees \$17.5bn of investments over four years

The 2026/27 Saskatchewan Capital Plan calls for \$4.3bn of investments and continues to support the growth plan's objective of investing \$30.0bn in infrastructure by 2030. That is the second largest capital investment in a single year in Saskatchewan history, following the \$4.6bn in this outgoing year. Over the next four years through 2029/30, there are \$17.5bn of investments planned. That compares to last year's capital plan which had \$4.6bn and \$17.9bn, respectively, in investments over the four year span.

There are four key areas of spending in the upcoming year which are in Health Care, Transportation Infrastructure, Municipal infrastructure and Education. Those four combine for \$1.5bn of the \$1.8bn of spending for the government. The remaining \$2.5bn of the capital plan is being put towards Crown Corporations with \$1.7bn of that for SaskPower and \$309mn for SaskEnergy.

Overall, gross taxpayer-supported debt is forecast to be \$24.4bn at March 31, 2026, up from \$21.7bn the previous year due to increased borrowing for the Saskatchewan Capital Plan, as well as the General Revenue Fund. Over the horizon, current plans have total gross debt reaching \$33.0bn by 2030. Meanwhile, self-supporting debt is also expected to increase over the medium-term from \$13.9bn last year to \$20.2bn by the end of the horizon. That increase is a result of planned capital spending by Government Business Enterprises. The province does have sinking funds designated for the repayment of debt and is estimated to reach a combined \$5.9bn by 2030. Of that total, the sinking fund designated for taxpayer-supported debt is estimated to reach \$3.6bn over the medium-term, while the remaining \$2.3bn is for self-supporting debt.

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