

Saskatchewan Q3 Update: Firmer Footing

The Province of Saskatchewan revised up its FY2009/10 revenue estimate thanks to higher-than-expected corporate and personal income tax revenues. Total revenue is now expected to be \$10.0 bln in FY2009/10, a \$154 mln (1.6%) upgrade from the mid-year update, but still down \$634 mln from the original budget plan. The latest upgrade is driven by a \$129 mln improvement in tax revenues, and a \$236 mln upside surprise in oil royalties, which helped offset a \$313 mln decline in potash revenues (which are actually negative now due to rebates). While potash revenues are down a massive \$2.1 bln from the original budget plan, the oil sector has picked up some of the slack, rising \$615 mln. Note that the potash price and production forecasts were reduced further from the mid-year update, down 8.6% and 17.5%, respectively. As the fiscal year winds down, resource revenues are now pegged at 17.6% of total. While that's still a hefty slice, it presents much less risk than the 30% share projected in the original budget.

Saskatchewan - Q3 fiscal update

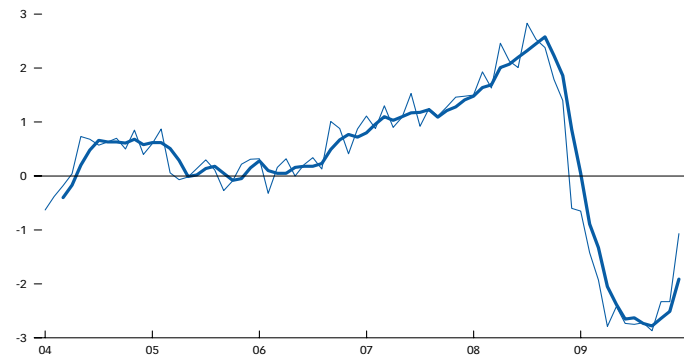
(FY2009/10, \$ millions)

	Budget Estimate	Previous Update	Latest Update	Change from Prior Update
Revenue	10,661	9,873	10,027	154
Spending	10,245	10,013	10,112	100
Pre-transfer balance	415	-140	-86	54
Net transfer from GFSF	9	564	510	-54
Surplus	425	425	425	0

Source: Province of Saskatchewan

Provincial Economic Momentum Index: Sask.

(Dark line = 3-mo. average)



*The PEMI measures the number of standard deviations economic activity is above or below trend.

Meantime, total spending is now pegged at \$10.1 bln, revised up \$100 mln from the prior update. Before Growth and Financial Security Fund transfers, the Province now faces an \$86 mln deficit (0.1 of GDP), improved from the \$140 mln projected in November, but still light years away from the original \$415 surplus. As such, the Province will now transfer \$510 mln from the GFSF to maintain the \$425 surplus in the General Revenue Fund.

Government general debt will be \$4.1 bln at March 31st, as previously expected, while total debt (which includes Crown Corporations) will be \$8.1 bln, a \$444 mln downward revision.

The Saskatchewan economy held up better than the rest of Canada through the downturn. Still, with potash production slashed, Saskatchewan likely saw real GDP contract 2% in 2009. With demand on the mend, commodity-sector activity will lead a 3.5% rebound in 2010, among the fastest in Canada.

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