

BUDGET ANALYSIS

Saskatchewan: Budget 2026

Sowing Deficits, Hoping for Balance

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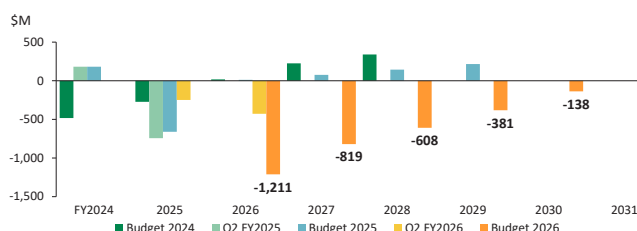
HIGHLIGHTS

- ▶ Saskatchewan's Budget 2026 marks a clear deviation from last year's balanced path, with higher-than-planned program spending driving a \$1.2B deficit in fiscal year 2025–26 (FY2026) and delaying balance until FY2031 (graph 1). Table 1 summarizes the province's updated fiscal forecasts.
- ▶ Higher investments in health care and affordability measures have lifted near-term expenditures, while the government continues to project a moderate spending trajectory over the medium term.
- ▶ Resilient economic fundamentals remain supportive of revenue growth, albeit at a softer pace than previously anticipated. Real GDP is expected to have risen by 2.2% in 2025 and is projected to grow by 1.6% in 2026, underpinned by capital investment, a firm labour market, and ongoing population gains.
- ▶ The revenue mix continues to appear less dependent on the energy sector. Expected weakness in oil and gas is largely offset by strength in potash and uranium, limiting its impact on the fiscal outlook. Recent geopolitical developments have increased energy-market volatility, with upside oil-price risks offering a potential buffer.

Graph 1

Saskatchewan's Road to Balance Takes a Detour

Budget balance projections



Saskatchewan Ministry of Finance and Desjardins Economic Studies

- ▶ The net debt-to-GDP ratio is on a modest upward path, peaking at 16.7% in FY2029, compared with a previously estimated peak of 15.0% in FY2028, yet remaining well below that of all provinces except Alberta.
- ▶ Although near-term spending growth is now outpacing revenue growth, reopening the fiscal shortfall, Saskatchewan continues to stand out, supported by a steady, well-anchored revenue outlook and relatively contained spending pressures.

Table 1

Saskatchewan Fiscal Forecasts

\$M (unless otherwise indicated)	2024–25	2025–26		2026–27		2027–28		2028–29		2029–30	2030–31
	Actual	Bud 2025	Bud 2026	Bud 2025	Bud 2026	Bud 2025	Bud 2026	Bud 2025	Bud 2026	Bud 2026	Bud 2026
Total revenues	20,856	21,056	20,804	21,835	21,417	22,643	22,295	23,481	23,209	24,161	25,151
Total expenses	21,105	21,044	22,014	21,759	22,236	22,499	22,903	23,264	23,591	24,298	25,027
Budget balance	-249	12	-1,211	76	-819	144	-608	217	-381	-138	124
% of GDP	-0.2	0.0	-1.0	0.1	-0.7	0.1	-0.5	0.2	-0.3	-0.1	0.1
Net debt (% of GDP)	13.8	14.6	15.2	14.9	16.1	15.0	16.6	14.8	16.7	16.3	15.8
WTI price (US\$/barrel)*	74.49	71.00	61.69	72.00	59.75	75.25	63.50	76.50	69.00	72.50	74.25
Borrowing requirement		4,043	5,839	---	5,336	---	---	---	---	---	---
Real GDP (% change)*	3.0	1.8	2.2	2.0	1.6	2.2	2.0	2.2	2.4	2.4	2.3
Nominal GDP (% change)*	0.0	2.6	4.3	3.8	3.3	4.5	4.3	4.4	3.9	3.6	3.5

Bud: Budget; WTI: West Texas Intermediate; * Calendar year: 2024–25 corresponds to calendar year 2024 and so on.
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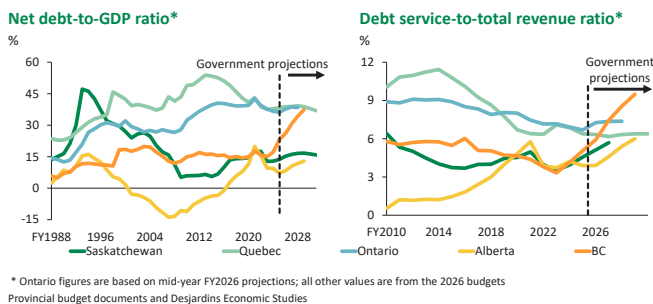
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As with many of its peers, Saskatchewan's FY2026–27 (FY2027) budget reflects a fiscal outlook that has darkened since last year, which presented a balanced path. The province now forecasts a \$1.2B deficit (1.0% of nominal GDP) in FY2026, narrowing to \$0.8B (0.7%) in FY2027, and balance pushed out to FY2031.

This shift is driven less by revenue weakness and more by spending decisions that have outpaced revenue growth. Revenues are modestly softer than last year's projections due to lower assumed energy prices, a drag that is partly offset by resilience in other sectors. The primary source of bottom-line deterioration lies on the expenditure side. Program expenditures have increased at a faster pace than previously planned, reflecting a combination of new policy commitments and ongoing cost pressures. As a result, Saskatchewan now finds itself materially further from balance, despite entering the year on a relatively steady economic footing.

The net debt-to-GDP ratio is on a slight upward trend, peaking at 16.7% in FY2029—modestly higher than the previously estimated peak of 15.0% in FY2028, and well below that of all jurisdictions except Alberta (graph 2).

Graph 2
Saskatchewan Maintains Its Low-Debt Advantage



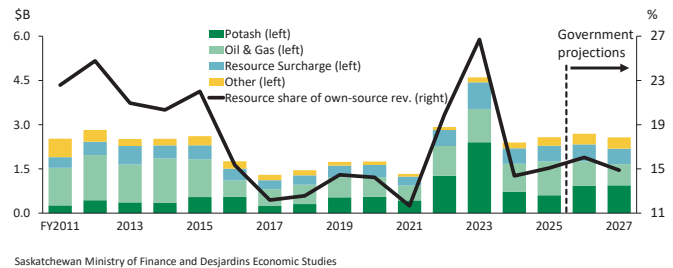
Revenue Growth Holds Steady on a Resilient Economy

Despite a slightly weaker handoff from FY2026 tied to carbon tax relief, the province continues to project revenue growth. Total revenue is projected to rise 2.9% in FY2027, led by a 3.9% gain in taxation revenues. Meanwhile, resource revenues are forecast to fall 4.6%, with strength in potash and uranium partly offsetting anticipated weakness in oil and gas.

The revenue mix continues to tilt away from the resource sector (graph 3). Non-renewable resource revenues are projected to account for 12.0% of total revenue in FY2027, down from 12.9% in FY2026 and well below the government's targeted ceiling of 15%, which is viewed as a prudent and sustainable benchmark for fiscal planning. This shift further limits the province's exposure to commodity-price volatility.

Graph 3
A Less Commodity-Reliant Revenue Base than in Recent Years

Saskatchewan natural resource revenues



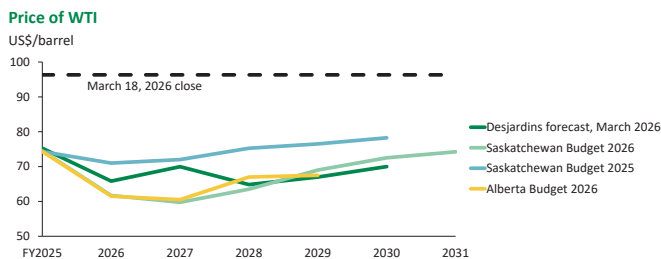
The government's economic outlook appears well supported. Nominal GDP growth is projected at 3.3% in 2026, moderating from an estimated 4.3% in 2025—an assumption that appears well anchored given Saskatchewan's continued outperformance nationally. Solid capital investment, a firm labour market, and ongoing population gains continue to underpin growth momentum. As a trade-oriented economy, Saskatchewan benefits from its diversified commodity base beyond oil, including potash, uranium, and agricultural products. The province is relatively well positioned amid ongoing trade disruptions, given its lower exposure to US tariffs than its provincial peers. This advantage has been further extended by China's decision to reduce import tariffs on a range of Canadian agricultural products, a move that disproportionately benefits Saskatchewan.

Oil Prices Weigh on the Outlook but Risks Skew to the Upside

Resource revenues, while inherently volatile, do not appear to be the primary source of the current fiscal deterioration. That said, upside risks to oil prices not reflected in the government's assumptions could provide a buffer. Under the budget's assumptions, the outlook for the price of WTI has deteriorated markedly from this time last year. Oil prices undershot government expectations in FY2026, and WTI price assumptions were revised down to US\$59.75 per barrel in FY2027 from US\$72 per barrel in last year's budget.

Saskatchewan's oil price outlook is broadly in line with our forecasts prior to the escalation of conflict in the Middle East. However, recent geopolitical developments materially alter the risk profile. Our [latest research](#) outlines two scenarios: a moderate disruption case in which oil prices settle well above budget assumptions (graph 4 on page 3), and a severe disruption scenario in which prices rise to around US\$100 per barrel for a sustained period. As a rule of thumb, an increase of US\$1 per barrel of WTI is linked with a fiscal impact of \$16M in oil revenue.

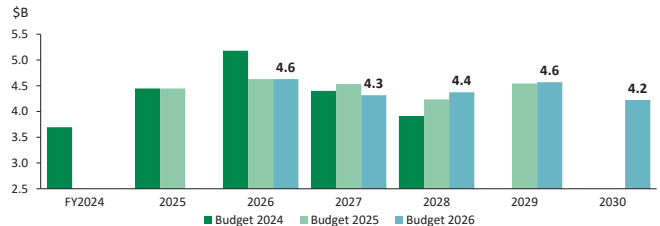
Graph 4
Oil Price Assumptions a Moving Target with Upside Potential



Provincial budget documents, Bloomberg and Desjardins Economic Studies

Graph 6
Elevated Infrastructure Spending Extends Into the Outer Years

Saskatchewan Capital Plan projections

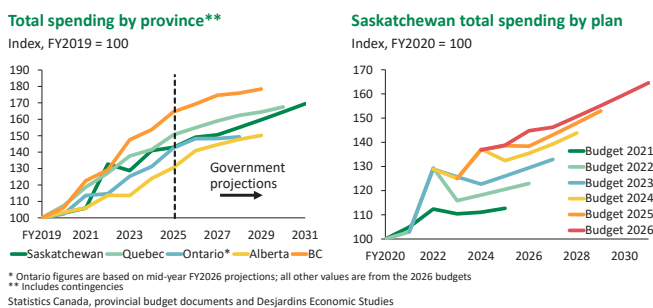


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A Measured Pullback from Spending Restraint

Last year's balanced fiscal path relied heavily on near-term spending restraint. That restraint has been eased in the 2026 budget (graph 5), with additional resources directed primarily toward health care and affordability initiatives. Relative to last year's plan, total spending in FY2026 is now projected to be \$970M higher, reflecting cost pressures from wildfire-related expenses, health-care overruns, and expanded affordability measures.

Graph 5
Saskatchewan's Spending Plan Lifted Yet Still Manageable



While some of these pressures—particularly wildfire costs—are likely temporary, the budget continues to invest in health care and affordability. Total expenditures in FY2027 are now projected to be \$1.2B higher than anticipated a year ago, with one third of the increase allocated to health care, and the remainder concentrated in education (\$221M), affordability measures (\$175M), and higher financing costs (\$161M). Over the medium term, the government continues to project a moderate pace of growth in spending at an average annual pace of 3%.

Capital investment is set to reach a record \$4.6B in FY2026 and remain elevated through FY2030, with funding more spread out in the outer years compared to its previous plan (graph 6).

The Saskatchewan Capital Plan totals \$17.5B over the next four years, with spending largely directed toward hospital and school infrastructure. This sustained level of investment should continue to support economic activity.

Debt and Borrowing

Saskatchewan's borrowing needs rise alongside wider deficits, reaching \$5.3B in FY2027, with debt repayments of \$1.7B. This follows an increased forecast of \$5.8B in FY2026, up from \$4.0B estimated in last year's budget, mostly due to the deeper deficit now projected. While the province continues to borrow predominantly in Canadian dollars—with roughly 81% of outstanding debt denominated in CAD—it has recently stepped up issuance in foreign capital markets, particularly in Europe. This diversification has helped lower overall borrowing costs.

With the budget released after market close, the initial market reaction will only become clear once trading resumes. Overall, the signal to investors is likely mixed. A return to deficit on the back of higher spending may raise credit-related concerns. However, Saskatchewan is known for having one of the tightest yield spreads on its 30-year bonds to those of the Government of Canada, reflecting the province's track record of strong fiscal management. Having hit the lowest level in at least 15 years in early February along with several other provinces, spreads have since widened with global uncertainty. That said, this spread widening was probably mitigated more recently for Saskatchewan by the likely anticipated positive fiscal impact of higher oil prices.